APPENDIX.

[Vide items 30 and 32 of the papers placed on the table on the 9th August 1956.]

THE MADRAS MONEY-LENDERS BILL, 1955 (L.A. BILL No. 38 OF 1955).

Composition of the Joint Select Committee.

CHAIRMAN :

1 The Hon. Sri M. A. MANICKAVELU.

MEMBERS :

2 ADITYAN, Sri S. T.
3 BALAKRISHNAN, Sri V.
4 BHAKTAVATSALAM, The Hon. Sri M.
5 CHOKKALINGAM, Sri P.
6 CHOKKALINGAM CHETTIAR, Sri AR. A. RM.
7 JOHN, Dr. V. K.
8 KANARAN, Sri C. H.
9 KANDASAMI, Sri C.
10 KOLKEBAIL, Sri S. S.
11 LAKSHMANASWAMI MUDALIYAR, Dr. A.
12 MOUNAGURUSWAMI NAIDU, Sri N.
13 MUNUSWAMY GOWNDER, Sri P. M.
14 MUTHIAH CHETTIAR, Sri M. A.
15 RAJARAM, Sri K.
16 RAMA, Sri T. K.
17 RAMACHANDRAN, Sri M. R.
18 RANGASWAMI REDDIAR, Sri P.
19 RATNAM, Sri A.
20 SANNASI, Sri T. V.
21 SUBRAMANIAM, The Hon. Sri C.
22 SUBRAMANYAM, Sri M. P.
23 SREENIVASAN, Dr. A.
24 VISWANATHAN, Sri K. R.

ASSOCIATE MEMBERS :

25 BALASUBRAMANYA AYYAR, Sri K.
26 ETHIRAJALU, Sri M.
27 MOHAMED RAZA KHAN, Sri.
28 SIVASUBRAMANYA NADAR, Sri S. P.

SECRETARIAT :

Sri T. HANUMANTHAPPA, B.A. (Hons.), B.L.,
Secretary to the State Legislature.

Sri G. M. ALAGARSWAMY, B.A., B.L.,
Assistant Secretary to the State Legislature.

TRUTH ALONE TRIUMPHS

[10th August 1956

REPORT OF THE JOINT SELECT COMMITTEE ON THE MADRAS MONEY-LENDERS BILL, 1955 (L.A. BILL No. 38 OF 1955).

To

THE HONOURABLE THE LEGISLATIVE ASSEMBLY,
MADRAS.

The Joint Select Committee appointed to consider the Madras Money-lenders Bill, 1955 (L.A. Bill No. 38 of 1955) has the honour to make the following report.

2. The Bill was published in English in Part IV-A of the *Fort St. George Gazette* on the 27th September 1955 and in the other regional languages in the *Fort St. George Gazette*, dated the 5th October 1955.

3. The Joint Select Committee was appointed by resolutions of the Assembly, dated 29th November 1955, and of the Council, dated 30th November 1955.

4. The Joint Select Committee met in the Committee Room, Legislators' Hostel (Old), Government Estate, Mount Road, on the 30th December 1955, 25th February 1956, 17th, 19th and 20th March 1956, at the Council Hall, Stone-house Hill, Ootacamund, on the 24th, 25th and 26th May 1956, and again at the Committee Room, Legislators' Hostel (Old), Government Estate, Mount Road, on the 18th July 1956.

5. At its first meeting the Joint Select Committee decided to receive representations from persons interested in the Bill. Accordingly at its meeting on the 17th, 19th and 20th March 1956 it heard oral representations from various Chambers of Commerce, Money-lenders' Associations, Multani Bankers' Associations, representatives of pawn-brokers and other individuals who appeared before it. The Committee has also scrutinized the various memoranda submitted to it.

6. The Committee has subjected the clauses of the Bill to a detailed scrutiny and as a result of such scrutiny has made various changes in them.

7. But, before referring to the changes, it may be pointed out that the Joint Select Committee considered the preliminary question whether the provisions relating to pawn-brokers could be separated and the existing Madras Pawn-brokers' Act, 1943 (Madras Act XXIII of 1943), amended suitably. The Committee is of the view that all provisions in the Bill relating to pawn-brokers should be deleted and agrees that there should be separate enactments for money-lenders and pawn-brokers. The Committee has therefore deleted all provisions which seek to regulate pawn-broking.

The Committee has also amended the following clauses, viz., clause 11.—*Money-lender to keep books, give receipts, etc.*, clause 18—*Money-lender advancing smaller amount or securing higher*

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interest than that specified in the accounts, etc., and clause 32—*Contracts not to be void on account of offence*, by deleting the references to pawn-brokers in them.

8. The Committee considers that the power proposed to be conferred on an Inspector to be appointed under this Act, namely, to enter at any time, any premises of a licensed money-lender in his jurisdiction for purposes of inspection; the power proposed to be conferred on a police officer not below the rank of Sub-Inspector to enter at any time the premises of a licensed money-lender or the premises of a person who is reasonably suspected to be lending money without a licence for purposes of inspection, and the power proposed to be conferred on any police officer not below the rank of Sub-Inspector to arrest without warrant any person committing in his view any offence punishable under this Act are likely to lead to harassment. The above clauses, viz., clauses 13 (3) (*a*), 14 and 30 have accordingly been deleted.

9. Some of the other important changes which the Committee has made are mentioned below :—

Clause 2.

The definition of "company" in sub-clause (2) and of "Court" in sub-clause (4) have been deleted.

The Committee has deleted the words "and 'licensed' shall be construed accordingly" in sub-clause (7)—definition of "licence".

Sub-clause (8) deals with the definition of "loan". The words "a company" occurring in item (ii) have been deleted as the Committee considers that there is no justification for excluding loans by companies from the scope of the Bill as money-lenders may form private companies to escape from its provisions.

The Committee considers that the following items also should be exempted from the definition of "loan", viz.—

(1) an advance made by any authority specifically exeluded by Government by notification from the operation of the Act;

(2) an advance made from a provident fund to which the Provident Funds Act, 1925 (Central Act XIX of 1925) applies;

(3) an advance made by nidhis or permanent funds which are registered bodies; and

(4) an advance made on the basis of a negotiable instrument as defined in the Negotiable Instruments Act, 1881 (Central Act XXVI of 1881), other than a promissory note.

Necessary additions have therefore been made to sub-clause (8).

Sub-clause (9) deals with molestation of debtors by money-lenders. The Committee considers that the words "causes inconvenience or annoyance" are very vague and has therefore deleted them from item (*a*) of this sub clause. The Committee has also deleted the words "and the expression 'molestation' shall be construed accordingly" occurring at the end.

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Sub-clause (10) deals with the definition of "money-lender". The Committee considers that in addition to the pawn-broker, for whom there is a separate enactment the mundy-merchant who made advances to his clients on the security of any standing crop or produce should not also be classified as a money-lender. The Committee has therefore deleted the words "and shall include a mundy-merchant and a pawn-broker" in this sub-clause. In the list of exemptions from the definition of "money-lender" the words " a company " in item (*a*) have been deleted and in item (*b*) the definition of "agriculturist" has been qualified by the addition of the words "and who is not assessed to income-tax under the Indian Income-tax Act, 1922 (Central Act XI of 1922)" so that only those engaged in agriculture as their main occupation will be exempted. The Committee has also deleted the words "and the expression 'money-lending' shall be construed accordingly" occurring at the end.

Sub-clause (11) which deals with the definition of "mundy-merchant" has been deleted as a consequential amendment.

Clause 4.

This clause deals with the grant and refusal of licences. The Committee considers that a minor should be enabled to apply for a licence through a guardian who will be subject to all the provisions of this Act as if the licence has been granted to himself. The existing proviso has therefore been replaced by two new provisos for carrying out the above decisions.

The Committee is of the view that a maximum limit of rupees one hundred only will be sufficient as fee for the grant of a licence and that it is also unfair not to refund the fee paid if the licence was refused or the application was withdrawn. Sub-clause (2) has therefore been re-cast stating that every licence shall be granted in such form and subject to such conditions as may be prescribed including conditions as to payment of fees not exceeding one hundred rupees.

Sub-clause (3) has been omitted as a consequential amendment.

The Committee considers that offences on two or more occasions under clause 18 (re-numbered as clause 11) should also be one of the disqualifications for the grant of a licence and has therefore amended sub-clause 4 (*c*) (iii) accordingly.

The Committee considers that the licensing authority should satisfy himself that a money-lender whose licence has been cancelled was fit enough to be granted a fresh licence, if he applies for one within six months of such cancellation. A new item (*d*) has accordingly been added to sub-clause (4).

Sub-clause (5) was deleted as unnecessary.

The Committee is of the view that a money-lender who has applied for renewal of his licence sufficiently early should be deemed to have had a valid licence till orders of renewal or refusal are

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received by him even though such orders are communicated to him after the expiry of the period of the previous licence. The Committee also thinks that there should be no bar on a person whose licence has expired or the renewal of whose licence has been refused realizing the amount lent by him during the currency of his licence, i.e., till the date when orders of refusal were communicated to him. Two new sub-clauses have been added providing for these contingencies.

Clause 6.

This clause relates to the closing of business on public holidays, etc., and the Committee has deleted the entire clause.

Clause 7 (*new clause* 6).

This clause requires every money-lender including a pawn-broker to exhibit his name over his shop, and also to exhibit other details like hours of business, etc. The Committee has amended the clause omitting the references to a pawn-broker and only requiring every money-lender to keep exhibited over his shop or place of business his name with the word ' money-lender ' and its equivalent in the regional language.

Clause 8 (*new clause* 7).

This clause relates to interest and charges allowed to money-lenders. The Committee has deleted sub-clause (1) relating to pawn-brokers and sub-clause (3) that the month or year used for the calculation of interest shall be a month or year of the British calendar. The Committee has also made certain consequential amendments to sub-clauses (2) and (5) consequent on the deletion of sub-clause (1).

New clause 8.

The Committee considers that it is necessary to make provision for a debtor to deposit in Court money due on a loan as in the Madras Indebted Agriculturists (Repayment of Debts) Act, 1955, and a new clause has accordingly been added.

Clause 11 (*new clause* 9).

The Committee deleted sub-clauuses 1 (*a*) (iii) and 1 (*b*) as consequential amendments relating to pawn-brokers. The Committee has also made other consequential changes of a minor nature in sub-clauses (5) and (7).

The Committee also deleted sub-clause (3) as being superfluous.

Clause 12.

The Committee has decided to delete this clause relating to employment of debt collectors as it was purely a concern of the money-lender.

Clause 13 (*new clause* 10).

As already stated in paragraph 8, the Committee has deleted sub-clause 3 (*a*). The Committee considers that a money-lender

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who carries on his business in contravention of the provisions of this Act or the conditions of the licence granted thereunder should also be brought within the scope of sub-clause (*b*), re-numbered as sub-clause (*a*), and it has been amended accordingly.

Clause 18 (*new clause* 11).

In addition to the consequential amendments due to references to pawn-brokers being deleted, the Committee considers that for an offence under sub-clause (1) the maximum sentence of imprisonment should be reduced to six months from one year and the fine also reduced to rupees one thousand from one thousand five hundred. The Committee also thinks that discretion should be given to the Court to cancel the licence even when an offence under this clause has been committed for the first time. Sub-clauses (1) and (2) have therefore been amended accordingly.

Clause 19.

The Committee considers that it is not necessary to prescribe that a notice should be served on a debtor before a suit can be filed and has accordingly deleted this clause.

Clause 23 (*new clause* 13).

The Committee has also amended this clause so that the punishment for molestation of a debtor shall be a maximum sentence of imprisonment for six months or with fine which may extend to one thousand rupees or with both.

Clause 24 (*new clause* 14).

This clause deals with the power to cancel licences, etc. The Committee considers that an offence under clause 18 (new clause 11) should also be made a ground for cancelling a licence. The Committee has therefore amended item (*c*) of sub-clause (1) and has also deleted the words 'or for an offence involving moral turpitude' occurring therein. As any person who obstructs any Government servant in the discharge of his duties can be proceeded against in a Criminal Court, the Committee has deleted item (*e*) of this sub-clause.

Clause 25 (*new clause* 15).

As the power of inspection, etc., conferred on police officers of and above the rank of Sub-Inspectors has been deleted, a consequential amendment has been made to this clause by deleting the words "and at the Police station . . . relates".

Clause 27 (*new clause* 17).

The Committee considers that a money-lender who has ceased to carry on the business of money-lending but was only recovering the loans advanced during the period when his licence was in force should be enabled to do so without having to obtain a licence. A suitable proviso has therefore been added to this clause.

Clause 28 (*new clause* 18).

This clause deals with the penalties for contravention of any of the provisions of this Act or the rules made thereunder and the

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Committee has amended sub-clause (1) by reducing the maximum sentence of imprisonment to six months and the maximum fine amount to rupees one thousand to bring it in line with other penal clauses.

Clause 33 (*new clause* 22).

The Committee considers that sub-clause (3) relating to the procedure in regard to laying of the rules framed under the Act on the table of the House should be uniform as recommended by the Committee on Subordinate Legislation in its first report. A new sub-clause (3) has accordingly been substituted.

10. All the clauses have been re-numbered and all the changes made by the Joint Select Committee are indicated in the annexed Bill.

11. The Committee considers that the changes made by it are of such important character as to require the republication of the Bill.

12. Some of the members have given dissenting minutes which are appended.

13. The Committee also recommends that a separate Bill for amending the Madras Pawn-Brokers Act, 1943, suitably incorporating the provisions deleted from this Bill be introduced at an early date.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
26*th July* 1956.

M. A. MANICKAVELU,
Chairman.

ANNEXURE.

[**NOTE.—The changes made are sidelined or underlined and the portions omitted are indicated by dots.**]

L.A. BILL No. 38 OF 1955.

A Bill to consolidate the laws relating to the regulation and control of the business of money-lenders in the State of Madras and to make further provision in respect thereof.

WHEREAS it is expedient to consolidate the laws relating to the regulation and control of the business of money-lenders in the State of Madras and to make further provision in respect thereof;

BE it enacted in the . . . Seventh Year of the Republic of India as follows :—

1. *Short title, extent and commencement.*—(1) This Act may be called the Madras Money-lenders Act, 1956.

(2) It extends to the whole of the State of Madras.

(3) . . . It shall come into force . . . in any area on such date as the Government may . . . by notification in the *Fort St. George Gazette*, . . . specify . . . which

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date shall not be earlier than the . . . expiry of three months from the . . . publication of the notification, and the Government may cancel or modify any such notification.

2. *Definitions.*—In this Act, unless the context otherwise requires—

(1) ' bank ' means a banking company as defined in section 5, clause (*c*), of the Banking Companies Act, 1949 (Central Act X of 1949);

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(2) ' co-operative society ' means a society registered or deemed to be registered under the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932);

.

(3) ' Government ' means the State Government;

(4) ' interest ' includes the return to be made over and above what was actually lent, whether the same is charged or sought to be recovered specifically by way of interest or otherwise, but does not include any sum charged by a lender in accordance with the provisions of this Act or any other law for the time being in force, for or on account of costs, charges or expenses;

(5) ' licence ' means a money-lender's licence granted under this Act;

(6) ' loan ' means an advance whether of money or in kind at interest, and includes any transaction which the Court finds in substance to amount to such an advance, but does not include—

(i) a deposit of money or other property in a Government Post Office Savings Bank or in a bank, in a company as defined in the Companies Act, 1956 (Central Act I of 1956) or with a co-operative society;

(ii) an advance made by a bank, . . . or a co-operative society or an advance made from a provident fund to which the Provident Funds Act, 1925 (Central Act XIX of 1925) applies;

(iii) an advance made by Government or by any person authorized by Government to make advances in their behalf, or by any local authority;

(iv) an advance made by any authority specified by Government by notification in the *Fort St. George Gazette*;

(v) an advance made by any person *bona fide* carrying on any business, not having for its primary object the lending of money, if such loan is advanced in the regular course of such business;

(vi) an advance made on the basis of a negotiable instrument as defined in the Negotiable Instruments Act, 1881 (Central Act XXVI of 1881), other than a promissory note;

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(vii) an advance made to its members by any Nidhi or Permanent Fund registered under any law in force in India;

(7) a person shall be deemed to ' molest ' another person if he—

(*a*) obstructs, . . . or uses violence to, or intimidates, such other person, or

(*b*) persistently follows such other person from place to place or interferes with any property owned or used by him or deprives him of or hinders him in the use of any such property, or

(*c*) loiters at or near a house or other place where such other person resides, or works, or carries on business, or happens to be, or

(*d*) interrogates the members of the family of such other person or does any act calculated to annoy or intimidate them, or

(*e*) moves or acts in a manner which causes or is calculated to cause alarm or danger to the person or property of such other person;

(8) ' money-lender ' means a person whose main or subsidiary occupation is the business of advancing and realizing loans, . . . but excludes—

(*a*) a bank . . . or a co-operative society;

(*b*) an agriculturist, that is to say, a person who is regularly engaged in the cultivation of land to the possession of which he is entitled and who is not assessed to income-tax under the Indian Income-tax Act, 1922 (Central Act XI of 1922);

Explanation (i).—Where a number of persons jointly cultivate land to the possession of which they are entitled or out of the produce of which they are entitled to be maintained, each such person shall be deemed to cultivate such land.

Explanation (ii).—The land cultivated by a person either wholly or in part by hired labour shall be deemed to be cultivated by such person provided that such labour is under such person's direct supervision and control;

(*c*) any member of a learned profession, that is to say, any person whose name is borne on a register maintained in accordance with any special statute which prescribes particular qualifications for admission to the profession and which regulates the manner of admission to the profession, of disciplinary control over the members thereof and of removal for sufficient cause of any such member from the register of the profession;

(*d*) whole-time servants of the Government of any State or of the Union or of any local authority . . .

Explanation.—Where a person who carries on in the State of Madras the business of advancing and realizing loans is resident

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outside the State of Madras, the agent of such person resident in the State of Madras shall be deemed to be the money-lender in respect of that business for the purposes of this Act :

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(9) 'principal' in relation to a loan means the amount actually lent to the debtor;

(10) 'year' means the financial year.

3. *Money-lender to obtain licence annually.*—No person shall, after the date on which the provisions of this Act are brought into force in any area, carry on, or continue to carry on, business as a money-lender at any place in such area, except under and in accordance with the terms of a licence;

.

Explanation I.—Where a money-lender has more than one shop or place of business, whether in the same town or village or in different towns or villages he shall obtain a separate licence in respect of each such shop or place of business.

Explanation II.—(*a*) Where a money-lender is a registered firm the licence shall be obtained in the firm's name.

(*b*) Where a money-lender is an undivided Hindu family, the licence shall be obtained in the name of the manager, or the karnavan or the yajaman, as the case may be, described as such in the licence.

(*c*) Where a money-lender is any other association of individuals, not required to be registered under . . . the . . . the Companies Act, 1956 (Central Act I of 1956), a separate licence shall be obtained by each such individual in his name describing himself as a member of the association :

Provided that nothing contained in this Explanation shall affect the operation of section 69 of the Indian Partnership Act, 1932 (Central Act IX of 1932).

4. *Grant and refusal of licences.*—(1) Every application for a money-lender's licence shall be in writing and shall be made to the licensing authority prescribed under this Act :

Provided that a person under the age of eighteen years shall be eligible to apply for a licence only through a guardian :

Provided further that if any person acting as a guardian on behalf of a minor applies for, and obtains, a licence under this Act, such guardian shall be subject to all the provisions of this Act as if the licence has been granted to himself.

(2) Every licence shall be granted in such form and subject to such conditions as may be prescribed . . . including conditions as to payment of licence fees not exceeding one hundred rupees.

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(3) The licensing authority may by order in writing refuse to grant a licence if such authority is satisfied—

(*a*) that the applicant has not complied with the provisions of this Act or the rules made thereunder in respect of an application for the grant of a licence; or

(*b*) that the applicant has made wilful default in complying with or knowingly acted in contravention of any requirement of this Act; or

(*c*) that the applicant has—

(i) knowingly participated in or connived at any fraud or dishonesty in the conduct of or in connexion with the business of money-lending; or

(ii) been found guilty of an offence under Chapter XVII or Chapter XVIII of the Indian Penal Code (Central Act XLV of 1860); or

(iii) been found guilty of an offence under section . . . 11 or section 13 on two or more occasions; or

(*d*) that the applicant has had his licence cancelled within six months before the date of application.

(4) Any person aggrieved by an order of the licensing authority under sub-section (3) may, within one month from the date of communication of such order to him, appeal to the prescribed authority.

(5) Every licence granted . . . under this Act shall, subject to the provisions of sub-section (7), expire on the last day of the year in which it was granted.

(6) A licence granted under sub-section (2) may be renewed from year to year and the provisoins of sub-sections (1) to (5) shall apply in relation to the renewal of a licence as they apply in relation to the grant of a licence.

(7) If orders refusing to renew a licence are not communicated to a money-lender by the licensing authority before the expiry of his current licence, the money-lender shall, notwithstanding such expiry be deemed to have a valid licence till orders are received by him on his application for renewal.

(8) Nothing in this section shall be deemed to disentitle a money-lender, whose licence has expired or has not been renewed, from taking steps to recover any loan advanced during the period when the licence was in force.

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5. *Change of place of business by money-lender.*—No money-lender shall change his place of business without provious notice to the licensing authority and without having the address of the new place of business duly endorsed on his licence.

..

6. *Money-lenders to exhibit their names over shops.*—Every money-lender shall always keep exhibited over his shop or place of business his name with the word ' money-lender ' and its equivalent in the regional language.

..

7. *Interest and charges allowed to money-lenders.*—..........
(1) No money-lender shall charge interest on any loan,..............
at a rate exceeding nine per cent per annum, simple interest, where the loan is a secured loan, or at a rate exceeding twelve per cent per annum, simple interest, where the loan is not a secured loan.

..

(2) A money-lender may demand and take from the debtor such charges and in such cases, as may be prescribed.

(3) A money-lender shall not demand or take from the debtor any interest.............., profit or other sum whatsoever in excess of that payable under sub-section (1)..........

..

..

8. *Power to deposit in Court money due on loan.*—(1) Where a money-lender refuses to accept the whole or any portion of the money or other property due in respect of his loan, the debtor may deposit the said money or property into the Court having jurisdiction to entertain a suit for recovery of such loan and apply to the Court to record full or part-satisfaction of the loan, as the case may be.

(2) Where any such application is made, the Court shall, after due inquiry, pass orders recording full or part-satisfaction of the loan as the case may be.

(3) The procedure laid down in the Code of Civil Procedure, 1908 (Central Act V of 1908), for the trial of suits shall, as far as may be, apply to applications under this section.

(4) An appeal shall lie from an order passed by a Court under sub-section (2) as if such an order relates to the execution, discharge or satisfaction of a decree within the meaning of section 47 of the Code of Civil Procedure, 1908 (Central Act V of 1908).

9. *Money-lender to keep books, give receipts, etc.*—(1) Every money-lender shall—

(*a*) regularly record and maintain or cause to be recorded and maintained, an account showing for each debtor separately—

(i) the date of the loan, the amount of the principal of the loan, and the rate of interest charged on the loan, and

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(ii) the amount of every payment received by the money-lender in respect of the loan, and the date of such payment;

...

(b) give to the debtor or his agent a receipt for every amount paid by him, duly signed and, if necessary, stamped at the time of such payment;

(c) on requisition in writing made by the debtor furnish to him, or, if he so requires, to any person mentioned by him in that behalf in his requisition a statement of account signed by himself or his agent, showing the particulars referred to in clause (a) and also the amount which remains outstanding on account of the principal and of interest and charge such fee therefor as the Government may prescribe:

Provided that no such statement shall be required to be furnished to a debtor if he is supplied by the money-lender with a pass book in the prescribed form containing an up-to-date account of the money-lender's transactions with the debtor; and

(d) submit such returns relating to the loans advanced by him to the Inspector concerned, in such form and at such times as may be prescribed.

(2) All records or entries made in the books, accounts and documents referred to in sub-section (1) shall be . . . in such language . . . as may be prescribed . . . in respect of any area.

...

(3) A debtor to whom a statement of account has been furnished under clause (c) of sub-section (1) and who fails to object to the correctness of the account shall not by such failure alone be deemed to have admitted the correctness of such account.

(4) In the receipt to be given under clause (b) of sub-section (1) or in the statement of account to be furnished under clause (c) of that sub-section, . . . the figures shall be entered only in Arabic numerals.

(5) In any suit or proceeding relating to a loan if the Court finds that a money-lender has not maintained an account as required by clause (a) of sub-section (1), he shall not be allowed his costs.

(6) If any money-lender fails to give to the debtor or his agent a receipt as required by clause (b) of sub-section (1) or to furnish on a requisition made under clause (c) of that sub-section a statement of account as required therein within one month after such requisition has been made, . . . he shall not be entitled to any interest for the period of his default.

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(7) Notwithstanding any agreement between the parties or any law for the time being in force, when a statement is furnished to a debtor under this section on any day during a month, the interest due shall be calculated as payable for the entire month irrespective of the fact that such statement is furnished on any such day.

..

10. *Appointment of Inspectors and their powers.*—(1) The Government or any authority or officer empowered by them may, by notification in the *Fort St. George Gazette*, appoint one or more persons to be Inspectors for the purposes of this Act and specify in such notification the local limits of their jurisdiction.

(2) Every Inspector shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code (Central Act XLV of 1860).

(3) . . . (*a*) A Magistrate of the first class in the mufassal or a Presidency Magistrate in the Presidency town, may, on receiving a report from an Inspector that a person carries on without a licence or that a money-lender carries on in contravention of the provisions of this Act or the conditions of the licence granted thereunder the business of money-lending at any place within the jurisdiction of such Magistrate, issue a warrant empowering the Inspector to enter such place with such assistants as he cnosiders necessary and inspect the books, accounts, records, files, documents, safes, vaults and pledges in such premises. On receiving such warrant, the Inspector may enter the place and inspect the books, accounts, records, files, documents, safes, vaults and pledges in such premises and may take to his office for further investigation such books, accounts, records, files and documents as he considers necessary :

Provided that if the Inspector removes from the premises, any books, accounts, records, files and documents, he shall give to the person in charge of hte place, a receipt describing the books, accounts, records, files and documents so removed by him :

Provided further that wtihin twenty-four hours of the removal of the books, accounts, records, files and documents from the premises, the Inspector shall either return them to the person from whose custody they were removed or produce them in the Court of the Magistrate who issued the warrant. Such Magistrate may return the books, accounts, records, files and documents or any of them to the person from whose custody they were removed by the Inspector, after taking from such person such security as the Magistrate considers necessary for the production of the books, accounts, records, files and documents when required whether by the Inspector or by the Court; or may pass such other orders as to their disposal as appear just and convenient to the Magistrate.

(*b*) An Inspector shall have authority to require any person whose testimony he may require regarding any loan or any

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money-lending business, to attend before him or to produce or cause to be produced any document and to examine such person on oath.

(4) An Inspector may apply for assistance to an officer in-charge of a police station and take police officers to accompany and assist the Inspector in performing his duties under this Act.

...

...

11. *Money-lender advancing smaller amount or securing higher interest than that specified in the accounts, etc., to be punishable.*—(1) Any money-lender whether licensed or not—

(*a*) who actually advances an amount less than the amount shown in his accounts or registers . . . or other document relating to the loan, or

(*b*) who takes or receives interest or any other charge at a rate higher than the rate shown in the accounts, registers . . . or document aforesaid or allowed under this Act shall be punished with imprisonment which may extend to . . . six months or with fine which may extend to one thousand . . . rupees or with both.

(2) If a money-lender is convicted of an offence under sub-section (1) . . . the Court convicting him . . . may cancel his licence as a money-lender.

12. *Cognizance of offences.*—No Court shall take cognizance of an offence punishable under this Act or the rules made thereunder except on a complaint in writing made by the Inspector.

...

...

13. *Penalty for molestation of debtor.*—Whoever molests or abets the molestation of any debtor for the recovery of any loan shall be punished with imprisonment which may extend to . . . six months or with fine which may extend to one thousand rupees or with both.

14. *Power to cancel licences, etc.*—(1) The licensing authority may, at any time, during the term of any licence, cancel it by an order in writing—

(*a*) if the licensee carries on the business in contravention of any of the provisions of this Act or the rules made thereunder or of the conditions of the licence, or

(*b*) if any reason for which the licensing authority could have refused to grant the licence to the money-lender under sub-section (3) of section 4, is brought to the notice of that authority after the grant of the licence, or

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(*c*) if the licensee is convicted for an offence under section 11 or section 13, or . . .

(*d*) if the licensee maintains false accounts or is found to molest or abet the molestation of any debtor for the recovery of any debt.

(2) Before cancelling a licence under sub-section (1), the licensing authority shall give the licensee a notice in writing stating the grounds on which it is proposed to take action and requiring him to show cause against it within such time as may be specified in the notice.

(3) Any person aggrieved by an order of the licensing authority cancelling a licence may, within one month of the date of communication of such order to him, appeal to the prescribed authority.

15. *Publication of order of cancellation.*—Every order of cancellation of a licence under this Act shall be notified in the District Gazette . . . and also on the notice board of the office of the licensing authority.

16. *No compensation for cancellation of licence.*—A person whose licence is cancelled under section . . . 14 shall not be entitled to any compensation in respect of such cancellation or to the refund of any fee paid in respect of such licence.

17. *Penalty for carrying on business without licence.*—Whoever carries on the business of money-lending without a licence or otherwise than in conformity with the terms and conditions of a licence shall be punished with imprisonment which may extend to six months or with fine which may extend to one thousand rupees or with both:

Provided that a person shall not be deemed to carry on the business of money-lending without a licence, if, after the expiry of the period of licence granted to him, he had ceased to carry on the business of money-lending but was taking steps to recover any loan advanced by him during the period when the licence was in force.

18. *Penalties.*—(1) Whoever contravences any of the provisions of this Act or of any rule made thereunder or of any terms on conditions of a licence granted or deemed to be granted thereunder or makes a claim or a statement . . . which is false or which he does not believe it to be true shall, if no other penalty is elsewhere provided for in this Act for such contravention, be punished with imprisonment which may extend to . . . six months or with fine which may extend to one thousand . . . rupees or with both.

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Explanation.—The cancellation of a licence under section . . . 14 shall not be deemed to be a penalty for the purposes of this sub-section.

(2) Where a contravention of any of the provisions of this Act or of any rule made thereunder of which a person is convicted consists of an omission to do a thing the Magistrate may, when convicting the offender, direct him to do the thing before an appointed day and may on the failure of the offender to do the thing befroe the said day, pass an order, whether the offender appears in court or not on that day, cancelling his licence.

19. *Transfer of licence to heir.*—(1) Where a licensee under this Act dies, any person claiming to be his legal representative may apply to the licensing authority for transferring in his name the licence standing in the name of the deceased.

(2) Every such application shall be in such form and shall contain such particulars as may be prescribed.

(3) The licensing authority may, if he is satisfied that the applicant is in fact the legal representative of the deceased and that he is otherwise eligible to a licence under this Act, transfer the licence in the name of the applicant after obtaining from the applicant a declaration in the prescribed form.

(4) Any licence transferred under sub-section (3) shall be deemed to have been granted to the applicant himself and shall be valid for the period for which it would have been valid if the licence had not been transferred; and the provisions of this Act shall apply accordingly.

20. *Jurisdiction to try offences.*—No Presidency Magistrate not being a salaried Presidency Magistrate and no other Court inferior to that of a salaried Magistrate of the second class shall try any offence punishable under this Act.

21. *Contracts not to be void on account of offence.*—Where a money-lender is guilty of an offence punishable under this Act any . . . contract made by him in relation to his business of money-lending shall not be void by reason only of that offence nor shall he, by reason only of that offence, lose . . . his right to the loan and the interest and other charges, if any, payable in respect thereof.

22. *Power to make rules.*—(1) The State Government may, after previous publication, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for—

(*a*) all matters expressly required or allowed by this Act to be prescribed;

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(b) the form and the particulars to be contained in an application for a licence under this Act;

(c) the terms and conditions subject to which a licence may be granted;

(d) the form in which books, accounts, and documents specified in this Act shall be recorded, maintained, kept or used;

(e) the procedure which should be followed and the powers which may be exercised by the authorities exercising functions, holding inquiries and hearing appeals under this Act.

(3) All rules made and all notifications issued under this Act shall, as soon as possible after they are made, be placed on the table of both the Houses of Legislature and shall be subject to such modifications by way of amendments or repeal as the Legislative Assembly may make within fourteen days on which the House actually sits either in the same session or in more than one session.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
26th July 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

APPENDIX.

DISSENTING MINUTES.

I

While I agree with the principle that money-lenders have to be controlled by rules and by conditions of licences, etc., and also with many of the provisions of the Bill, I have to express my disapproval of the severe punishments that are provided in clauses 11 and 13, viz., imprisonment for six months or fine which may extend to thousand rupees or both and the cancellation of the licence and of the power that has been given for cancelling licences for non-compliance of even minor requirements of the Act or of the rules or the conditions of the licence. No difference has been made in the matter of the power to cancel the licence in respect of breaches of rules or conditions of licence and major offences like dishonesty or fraud.

It has to be remembered that, as banks or co-operative societies are not in a position to upply the credit required by the middle class and the poor sections of our people and it is the money-lender that has been supplying the want till now to great extent, any provisions which are likely to have a deterrent effect on money-lending itself and are thereby likely to affect the credit economy of the State, have to be disapproved. The provisions as regards the Inspector and his powers and the severe nature of the punishments provided for breach of rules and conditions of licence render the legislation as it emerges out of the Joint Select Committee draconian in character and are sure to prejudicially affect the normal lending of money by individuals and, to some extent, defeat the very good objects of this Bill.

MADRAS,
19th July 1956.

K. BALASUBRAMANIA AYYAR.

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II

While I am pleased that the Bill as originally drafted has been considerably improved by the Joint Select Committee, I regret I am unable to agree with the opinion of the majority.

Legislative interference necessary.—Credit facilities are an essential part of the economic structure of society and money-lenders perform a most useful function. A few of the money-lenders do their business without any reproach or any cause for complaint, but abuses have crept in and many money-lenders are exploiting the poverty and the need of borrowers, and interference by the Legislature is therefore necessary.

Interference to be minimum and to conform to Article 19 of the Constitution.—Interference with carrying on any occupation or business should be the minimum and should conform to Article 19 (1) (*g*) and sub-clause (6) of the Constitution. According to Article 19 (1) (*g*) it is a fundamental right vested in every citizen to "practise any profession or to carry on any occupation, trade or business" and sub-clause (6) provides that the restrictions on the exercise of this fundamental right must not only be in the interests of the general public but also reasonable. I think the provisions of the Bill go beyond the provisions of Article 19 of the Constitution and provides for unnecessary controls.

Exploitation of the borrower by the money-lender.—The exploitation of the borrower by the money-lender consists, in my opinion, of—

(i) the charging of usurious rates of interest, and the collection of interest in advance by deducting the interest from the principal at the time of giving the loan;

(ii) the prejudicial sale of securities given by the borrower; and

(iii) the oppressive procedure adopted by the money-lender in the collection of the debt.

Only minimum legislative interference necessary.—In my opinion, it would be sufficient to provide that interest should not exceed a certain percentage and should not be collected in advance or deducted from the principal at the time of giving the loan. The rate of interest provided for in clause 7 of the Bill, namely, 9 per cent simple interest per annum where the loan is a secured loan, or 12 per cent where the loan is not secured, in my opinion, is quite reasonable. In practice, however, money-lenders collect interest at a higher rate. I am definitely of the opinion that severe penalties should be imposed on the money-lending collecting more than the reasonable rate fixed in the Bill and collecting the interest in advance.

Sale of securities given by the borrower, in my opinion, should be only under the directions of a court of law. No suit need be filed and court-fee paid, but an application must be filed by the money-lender for an order by the court for the sale of the securities and the manner in which the sale should take place.

There must also be, in my opinion, a provision enabling a court of law on an application by the debtor to give relief to the debtor in cases in which the money-lender resorts to oppressive methods of collection of the debt. The court may be given power to reduce or even extinguish the debt as a relief against oppressive methods.

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There is a provision in section 397 of the Companies Act, 1956, under which the court can give relief in case of oppression. The word 'oppression' is not defined in the Companies Act. Wide powers should be given to the court to determine what amounts to oppression and give adequate relief to the debtor.

I do not think it is necessary to provide for the taking of annual licences and renewing them. It should be sufficient, in my opinion, to make a provision for registration of the business of money-lending by any person carrying or intending to carry on this business and there should be only a nominal fee for registration, which should in no event exceed Rs. 5.

The most important point, however, to remember is that the State must provide for adequate credit facilities at very reasonable rates of interest through co-operative societies which will compete with the money-lenders. Without a plan for such credit facilities, controls imposed on money-lenders may not be observed and they might lead to demoralization. In a matter like this, what is required is easy credit facilities. There is nothing in the Bill creating an obligation on the Government or local bodies to provide adequate credit facilities through co-operative societies. It is essential, in my opinion, to make at least a beginning in this matter.

BANGALORE,
19th July 1956.

V. K. JOHN.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
26th July 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE MADRAS MONEY-LENDERS BILL, 1955 (L.A. BILL No. 38 OF 1955).

(As approved by the Chairman.)

Friday, the 30th December 1955.

The Joint Select Committee on the Madras Money-Lenders Bill, 1955, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 12 noon on the 30th December 1955. The following were present :—

MEMBERS :

1 The Hon. Sri M. A. MANICKAVELU (*Chairman*).
2 Sri K. RAJARAM.
3 Sri P. M. MUNISWAMY GOUNDER.
4 Sri AR. A. RM. CHOCKALINGAM CHETTIAR.
5 Sri K. R. VISWANATHAN.
6 Sri T. K. RAMA.
7 Sri T. V. SANNASI.
8 Sri M. R. RAMACHANDRAN.
9 Sri C. H. KANARAN.
10 Sri C. KANDASAMI.

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11 Sri P. Chokkalingam.
12 Sri S. S. Kolkebail.
13 Sri P. Rangaswami Reddiar.
14 Sri M. P. Subramanyam.
15 Sri A. Ratnam.
16 Sri S. T. Adityan.
17 Sri K. Bhashyam.
18 Sri M. Ethirajalu.
19 Dr. A. Sreenivasan.
20 Sri M. K. M. Abdul Salam.
21 Sri Mohamed Raza Khan.
22 Dr. V. K. John.
23 Dr. A. Lakshmanaswami Mudaliar.
24 Sri K. Balasubramanya Ayyar.

Secretariat :

Sri T. Hanumanthappa (*Secretary to the State Legislature*).
Sri G. M. Alagarswamy (*Assistant Secretary*).

The Secretary, Industries, Labour and Co-operation Department, was also present.

Proposed by Sri K. Rajaram and seconded by Sri Mohamed Raza Khan, the Hon. Sri M. A. Manickavelu was elected Chairman.

Dr. V. K. John suggested that the Committee might invite people interested in the Bill to appear before the Committee to tender evidence.

Sri K. Bhashyam desired that the memoranda received may be classified into various categories, such as those received from mundy merchants, pawn-brokers, Multanis, etc., so that a representative from each category of money-lenders might be invited to give evidence before the Committee.

Sri C. H. Kanaran and Sri M. R. Ramachandran suggested that some borrowers also might be examined.

Sri P. Rangaswami Reddiar and Sri S. S. Kolkebail wanted that copies of all the enactments referred to in the Bill and in the Statement of Objects and Reasons attached thereto might be supplied to all Members.

The Chairman said that copies of all Acts of this State would be supplied to the Members but so far as Acts of other States were concerned, as many copies as possible would be obtained for the reference of Members.

Dr. A. Lakshmanaswami Mudaliyar suggested that a Press Note might be issued inviting all people interested in the Bill to submit their memoranda before the 15th January 1956 and also to

state whether they wished to appear before the Committee for giving evidence. The Committee might decide thereafter who should be called to tender evidence.

Sri K. Balasubramanya Ayyar stated that a Writ Petition had been filed in the High Court challenging the validity of certain provisions of the Pawn-Brokers Act, 1943, and that this Committee might take into consideration the judgment that might be delivered thereon.

Dr. V. K. John suggested that the recent judgment of the Supreme Court with reference to the Taxation on Income (Investigation) Act might also be taken into consideration.

Sri P. Rangaswami Reddiar pointed out that the provisions of the Bill were not in conformity with what was stated in the statement of Objects and Reasons and wanted to know whether the existing provisions in the Criminal Procedure Code and other similar enactments were not sufficient to control the money-lending business.

Sri K. Bhashyam suggested that if necessary the Chairman might explain the objects of the Bill during the course of the discussion of the Bill.

Dr. V. K. John suggested that the provisions contained in section 397 of the Indian Companies Act recently passed might be applied to cases of oppression under this Bill also.

Sri S. S. Kolkebail opposed this suggestion on the ground that most of the borrowers were poor and could not go to court to obtain relief.

Dr. V. K. John enquired whether they could get any evidence that any debtor had been actually harassed or whether it was only hearsay. Sri C. Kandasami suggested that the Committee might visit some rural centres and examine some debtors also.

Dr. A. Lakshmanaswami Mudaliyar suggested that copies of local Acts might be made available to Members before the 15th January and that copies of Acts of other States might be obtained and placed in the Legislature Library and the Members informed of it. After the memoranda were received, there might be a meeting of the Committee to decide the names of witnesses to be examined.

The Chairman stated in reply to further queries that at the next meeting itself the Committee might examine witnesses who were ready.

The Committee then decided to meet again towards the end of January 1956 and resolved to issue the following Press Note :—

"The Joint Select Committee, appointed by the Madras State Legislature to consider and report on the Madras Money-Lenders Bill, 1955 (L.A. Bill No. 38 of 1955), at its meeting held on 30th December 1955, decided to receive

memoranda from those interested in the Bill and has fixed 5 p.m. on Monday, the 16th January 1956, as the time within which the memoranda (with forty spare copies) should reach the Secretary to the State Legislature, Government Estate, Mount Road, Madras-2."

The Committe then adjourned.

Saturday, the 25th February 1956.

The Joint Select Committee on the Madras Money-Lenders Bill, 1955, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 3 p.m. on the 25th February 1956. The following members were present:—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Sri P. M. Munuswamy Gounder.
5 Sri N. Mounaguruswami Naidu.
6 Sri AR. A. RM. Chockalingam Chettiar.
7 Sri K. R. Viswanathan.
8 Sri T. V. Sannasi.
9 Sri M. R. Ramachandran.
10 Sri C. Kandasami.
11 Sri P. Chokkalingam.
12 Sri P. Rangaswami Reddiar.
13 Sri M. P. Subramanyam.
14 Sri A. Ratnam.
15 Sri V. Balakrishnan.
16 Dr. A. Lakshmanaswami Mudaliyar.
17 Dr. V. K. John.
18 Sri K. Balasubramanya Ayyar.
19 Sri M. Ethirajalu.
20 Sri M. K. Bhashyam.
21 Dr. A. Sreenivasan.
22 Sri Mohamed Raza Khan.
23 Sri S. P. Sivasubramania Nadar.

Secretariat :

Sri T. Hanumanthappa (*Secretary*).

Sri G. M. Alagarswamy (*Assistant Secretary*).

The Secretary, Industries, Labour and Co-operation Department, was also present.

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The Chairman, at the outset, said that the Committee had met to consider the various associations that might be summoned to give evidence and when they should appear before the Joint Select Committee.

Dr. A. Lakshmanaswami Mudaliyar said that eleven associations had expressed a desire to be heard by the Committee and suggested that they might be heard in groups, and not individually, in the following order :—

I Group—

The Madura-Ramnad Chamber of Commerce, Madurai.
The Democratic Chamber of Commerce, Madras.
Coimbatore District Bankers' Association, Coimbatore.
The Madras Financiers' Association, Madras.

II Group—

Sindhi (Multani) Bankers' Association, Salem.
Sindhi (Multani) Bankers' Association, Madras.
Sindhi Hindu Refugee Relief Committee, Madras.

III Group—

Tiruvannamalai Money-Lenders' Association, Tiruvannamalai.
Tiruchirappalli District Money-Lenders' Association.
Madurai-Ramanathapuram Money-Lenders' Association, Madurai.
South Arcot District Money-Lenders' Association.

The Hon. Sri C. Subramaniam suggested that a representative of the Pawn Brokers' Association might also be invited to give evidence.

Sri K. Balasubramanya Ayyar wanted that hundi merchants and mundi merchants who gave loans against agricultural produce, and small traders might also be examined, besides pawn-brokers and others.

Dr. V. K. John pointed out that some memoranda had been received from borrowers also and suggested that they might also be examined.

After a brief discussion, it was decided that besides the three groups of associations stated above, some representatives of the pawn-brokers should be examined by the Committee. It was also decided that, besides individual invitations to the above bodies, a notification should be published in the newspapers that the Committee would be meeting at 3 p.m. on the 17th, 19th and 20th March 1956 to record oral evidence.

Sri Mohamed Raza Khan said that the Committee might meet at Ootacamund to consider the Bill, clause by clause, and draw up the report.

The Chairman promised to consider the suggestion.

The Joint Select Committee then adjourned to meet again at 3 p.m. on the 17th, 19th and 20 March 1956.

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Saturday, the 17th March 1956.

The Joint Select Committee on the Madras Money-Lenders Bill, 1955, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 3 p.m. on the 17th March 1956. The following members were present :—

CHAIRMAN :

The Hon. Sri M. A. MANICKAVELU.

MEMBERS :

1 The Hon. Sri C. SUBRAMANIAM.
2 Sri T. K. RAMA.
3 Sri K. RAJARAM.
4 Sri AR. A. RM. CHOCKALINGAM CHETTIAR.
5 Sri K. R. VISWANATHAN.
6 Sri T. V. SANNASI.
7 Sri M. R. RAMACHANDRAN.
8 Sri C. KANDASAMI.
9 Sri P. RANGASWAMI REDDIAR.
10 Sri V. BALAKRISHNAN.
11 Sri K. BALASUBRAMANYA AYYAR.
12 Dr. A. LAKSHMANASWAMI MUDALIAR.
13 Dr. V. K. JOHN.
14 Sri M. ETHIRAJALU.
15 Sri K. BHASHYAM.
16 Dr. A. SREENIVASAN.
17 Sri MOHAMED RAZA KHAN.
18 Sri A. RATNAM.

SECRETARIAT :

Sri T. HANUMANTHAPPA (*Secretary*).
Sri G. M. ALAGARSWAMY (*Assistant Secretary*).

The Secretary, Industries, Labour and Co-operation Department, was also present.

The representatives of the following Associations were present :—

The Coimbatore District Bankers' Association, Coimbatore.
The Democratic Chamber of Commerce, Madras.
The Madras Financiers' Association, Madras.

The Committee examined Sri T. R. S. Ramanatha Ayyar, President, and other representatives of the Coimbatore District Bankers' Association. A summary of the evidence is appended.

The Committee then adjourned to meet again at 3-45 p.m. on the 19th March 1956 to continue the examination of witnesses.

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Monday, the 19th March 1956.

The Joint Select Committee on the Madras Money-Lenders Bill, 1955, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 3-45 p.m. on the 19th March 1956. The following members were present :—

1 The Hon. Sri M. A. MANICKAVELU (*Chairman*).
2 The Hon. Sri C. SUBRAMANIAM.
3 The Hon. Sri M. BHAKTAVATSALAM.
4 Sri P. M. MUNUSWAMY GOUNDER.
5 Sri AR. A. RM. CHOCKALINGAM CHETTIAR.
6 Sri M. R. RAMACHANDRAN.
7 Sri V. BALAKRISHNAN.
8 Dr. A. LAKSHMANASWAMI MUDALIYAR.
9 Dr. V. K. JOHN.
10 Sri K. BALASUBRAMANYA AYYAR.
11 Sri K. BHASHYAM.
12 Sri M. K. M. ABDUL SALAM.
13 Dr. A. SREENIVASAN.
14 Raja Sri M. A. MUTHIAH CHETTIAR.
15 Sri T. K. RAMA.
16 Sri MOHAMED RAZA KHAN.

SECRETARIAT :

Sri T. HANUMANTHAPPA (*Secretary*).
Sri G. M. ALAGARSWAMY (*Assistant Secretary*).

The Deputy Secretary, Industries, Labour and Co-operation Department, was also present.

At the outset, Dr. A. Lakshmanaswami Mudaliyar said that there was a feeling amongst the witnesses that they did not have a chance the other day to represent their views and that practically the whole time was taken up by one association. He therefore suggested that one nominee of a group might be heard at a time so that he might exhaust himself and that during that time no cross-questioning should be made. The Hon. Sri C. Subramaniam suggested the hearing together of associations doing like business as the Multani Associations of Salem, Madras and Vellore.

The Chairman said that the witnesses might give their evidence together and there need not be any questioning in the first instance unless any crucial points arose and that questions might be put after the witnesses had finished.

The representatives of the following associations were heard by the Committee. A gist of the evidence tendered by the witnesses is appended :—

1 The Madras Financiers' Association.

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2 The Democratic Chamber of Commerce.

3 The Sindhi (Multani) Bankers' Association, Salem.

4 The Sindhi (Multani) Bankers' Association, Madras.

5 The Sindhi (Multani) Bankers' Association, Vellore.

6 Sindhi Hindu Refugee Relief Committee, Madras.

The Committee then adjourned to meet again at 4 p.m. on the 20th March 1956.

Tuesday, the 20th March 1956

The Joint Select Committee on the Madras Money Lenders' **Bill, 1955**, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 4 p.m. on the 20th March 1956.

The following members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).

2 Sri K. Rajaram.

3 Raja Sri M. A. Muthiah Chettiar.

4 Sri M. R. Ramachandran.

5 Sri C. H. Kanaran.

6 Sri C. Kandasami.

7 Sri S. S. Kolkebail.

8 Sri V. Balakrishnan.

9 Sri K. Bhashyam.

10 Sri M. K. M. Abdul Salam.

11 Sri Mohamed Raza Khan.

12 Sri K. Balasubramanya Ayyar.

13 Dr. A. Lakshmanaswami Mudaliyar.

14 Dr. V. K. John.

Secretariat :

Sri T. Hanumanthappa (*Secretary*).

Sri G. M. Alagarswamy (*Assistant Secretary*).

The Secretary and the Deputy Secretary, Industries, Labour and Co-operation Department, were also present.

The representatives of the following associations were heard by the Committee.

The Madras State Money Lenders' Federation, Madurai, through its representative Sri K. A. P. Viswanathan, gave evidence on behalf of the other Money Lenders' Association which had been invited as they formed constituent parts of the Federation :—

1 Sri K. A. P. Viswanathan.

2 Sri Valliappa Chettiar.

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3 Sri T. R. S. Ramanatha Ayyar of the Coimbatore District Bankers' Association.

4 Sri M. A. Arunachalam Chettiar.

5 Sri H. H. K. M. Bhora of the Marwari Jain Annadhanasala.

6 Sri Sowbagmull Dharamchand of Madurantakam.

7 Sri Kalidoss Sait of Erode Money Lendors, Commerce and Mundi Merchants' Association.

8 Sri Jumberlal Jain of Madurantakam.

9 Sri Subbaraj of South Arcot Money Lenders' Association.

A list of the witnesses and the gist of the evidence tendered by the witnesses are appended.

Winding up the proceedings, the Chairman said that the examination of the witnesses was over and that the date of the next meeting would be communicated to the members in due course.

Ootacamund, Thursday, the 24th May 1956.

The Joint Select Committee on the Madras Money Lenders' Bill, 1955, met at 3-30 p.m. on Thursday, the 24th May 1956 in the Council Hall, Stonehouse Hill, Ootacamund. The following were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri S. T. Adityan.
4 Sri K. Balasubramanya Ayyar.
5 Sri V. Balakrishnan.
6 Sri P. Chockalingam.
7 Sri AR. A. RM. Chockalingam Chettiar.
8 Sri M. Ethirajalu.
9 Sri C. H. Kanaran.
10 Sri C. Kandasami.
11 Sri S. S. Kolkebail.
12 Sri N. Mounaguruswami Naidu.
13 Sri P. M. Munuswamy Gounder.
14 Raja Sri M. A. Muthiah Chettiar.
15 Sri Mohamed Raza Khan.
16 Sri K. Rajaram.
17 Sri T. K. Rama.
18 Sri M. R. Ramachandran.
19 Sri P. Rangaswami Reddiar.
20 Sri A. Ratnam.

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21 Sri S. P. SIVASUBRAMANYA NADAR.

22 Sri M. P. SUBRAMANYAM.

23 Sri K. R. VISWANATHAN.

SECRETARIAT :

Sri T. HANUMANTHAPPA (*Secretary*).

Sri G. M. ALAGARSWAMY (*Assistant Secretary*).

The Secretary to Government, Law Department, and the Deputy Secretary to Government, Industries, Labour and Co-Operation Department, were also present.

Sri K. Balasubramanya Ayyar suggested that the provisions relating to pawn-brokers might be put in a separate chapter.

The suggestion was accepted.

LONG TITLE.

The Hon. Sri M. A. Manickavelu moved that for the words ' Sixth Year of the Republic of India ' the words ' Seventh Year of the Republic of India ' be substituted.

The amendment was carried.

Clause 1.

The Hon. Sri M. A. Manickavelu moved that for the figure ' 1955 ' occurring in sub-clause (1), the figure ' 1956 ' be substituted.

The amendment was carried.

The clause as amended was approved.

Clause 2.

Sub-clause (1) was approved.

Sri K. Balasubramanya Ayyar suggested that the definition of ' company ' in sub-clause (2) might be amended so as to read that a company meant a company as defined in the Indian Companies Act.

The suggestion was accepted and it was decided to amend the definition accordingly.

Sub-clause (3) was approved.

The Law Secretary was requested to examine whether it was necessary to retain sub-clause (4).

Sub-clauses (5) and (6) were approved.

The Committee decided that the words " and, ' licensed ' shall be construed accordingly " be deleted in sub-clause (7).

Sri K. Balasubramanya Ayyar suggested that for the words ' an advance of money or in kind ' occurring in sub-clause (8), the words ' an advance whether of money or in kind ' be substituted.

The suggestion was accepted and the amendment was made,

[10th August 1956

The Hon. Sri C. Subramaniam moved that the words 'a company' occurring in sub-clause (8) (ii) be deleted.

The amendment was carried.

Sri V. Balakrishnan asked why a loan advanced by a bank was excluded and Sri S. T. Adityan also asked why a loan advanced by a co-operative society was excluded from the scope of the Bill.

The Hon. Sri C. Subramaniam replied that the banks were governed by the Banking Companies Act and a co-operative society by the Co-operative Societies Act and that therefore they were excluded from the scope of the Bill. Besides, 'banking' was a Central subject and the State could not legislate on it.

Sri K. Balasubramanya Ayyar suggested that, on the analogy of the provision in the Bombay Money-lenders' Act, an advance made to a subscriber from the Provident Fund under the Indian Provident Fund Act and advances made by Nidhis and Permanent Funds be excluded from the definition of 'loan'.

It was decided to include a provision for excluding an advance made to a subscriber from the Provident Fund and to have the point about the exclusion of advances by Nidhis and Permanent Funds examined by the Law Department.

Sri Mohamed Raza Khan and Sri V. Balakrishnan pleaded for including hundis within the scope of the Bill.

The Hon. Sri C. Subramaniam said that the inclusion of hundis might perhaps lead to difficulties in working the Act. The Government did not want to interfere with traders who borrowed money through hundis for business purposes. The main object of the Government in sponsoring the Bill was to protect middle-class people from harassment by money-lenders.

Sri K. Balasubramanya Ayyar suggested that the following be added as one of the items under sub-clause (8) of clause 2:

> "An advance made on the basis of Negotiable Instrument as defined in the Negotiable Instrument Act of 1881 other than a Promissory Note."

The suggestion was accepted and the amendment was made.

The Hon. Sri C. Subramaniam suggested that the words 'inconvenience or' occurring in sub-clause (9) (*a*) be deleted.

Raja Sri Muthiah Chettiar suggested that the words 'causes inconvenience or annoyance' be deleted.

The suggestions were under consideration when the Committee adjourned to meet again at 2-30 p.m. the next day.

Ootacamund, Friday, the 25th May 1956.

The Joint Select Committee on the Madras Money-lenders Bill, 1955, met at 2-30 p.m. on Friday, the 25th May 1956 in the Council Hall, Ootacamund. The following were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Raja Sri M. A. Muthiah Chettiar.
5 Sri N. Mounaguruswami Naidu.
6 Sri AR. A. RM. Chockalingam Chettiar.
7 Sri K. R. Viswanathan.
8 Sri T. K. Rama.
9 Sri M. R. Ramachandran.
10 Sri C. H. Kanaran.
11 Sri C. Kandasami.
12 Sri P. Chokkalingam.
13 Sri S. S. Kolkebail.
14 Sri P. Rangaswami Reddiar.
15 Sri M. P. Subramanyam.
16 Sri S. T. Adityan.
17 Sri V. Balakrishnan.
18 Sri A. Ratnam.

Associate Members.

19 Sri S. P. Sivasubramanya Nadar.
20 Sri M. Ethirajalu.
21 Sri Mohamed Raza Khan.

Secretariat.

Sri T. Hanumanthappa (*Secretary*).
Sri G. M. Alagarswamy (*Assistant Secretary*).

The Secretary to Government, Law Department, and the Deputy Secretary to Government, Industries, Labour and Co-operation Department, were also present.

Clause 2.

Discussion on the suggestions with regard to sub-clause (9) (*a*) was resumed.

Sri S. T. Adityan said that, as the term ' annoyance ' was difficult to interpret, it might also be deleted.

The words " causes inconvenience or annoyance " were deleted.

Sub-clauses 9 (*b*), (*c*) and (*d*) were approved.

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The words " and the expression ' molestation ' shall be construed accordingly " occurring after sub-clause (9) (*e*) were deleted.

The words " and shall include a mundy-merchant and pawn-broker " occurring in sub-clause (10) were deleted.

The words " a company " occurring in item (*a*) of sub-clause (10) were deleted.

The words " and who is not assessed to income-tax under the Indian Income-tax Act " were added at the end of item (*b*) and before Explanation (i).

The words " and the expression ' money-lending ' shall be construed accordingly " occurring at the end of item (*d*) of sub-clause (10) were deleted.

Sub-clause (11) was deleted.

Sub-clause (12) which defines what a pawn-broker means was then taken up.

Raja Sri M. A. Muthiah Chettiar pleaded for taking out of the purview of this Bill all the provisions relating to pawn-brokers and includng them in a separate Bill dealing exclusively with pawn-brokers.

The Hon. Sri C. Subramaniam said that there was already in existence the Madras Pawn-brokers Act, 1943, and that necessary amendments could be made to that Act.

It was decided to delete all the provisions in the Bill relating to pawn-brokers.

In conformity with this decision, sub-clauses (12), (13) and (14) were omitted.

Sub-clauses (15), (16) and (17) were approved.

Clause 3.

The proviso to the first paragraph of clause 3 was deleted. The rest of the clause was approved.

Clause 4.

With reference to the proviso to sub-clause (1) it was decided that guardians should have the right to apply for licence on behalf of minors and that those guardians should personally be subject to all the conditions and restrictions laid down in the Bill. It was agreed that this proviso might be amended accordingly.

Sub-clause (2) was amended as follows :—

" (2) Every licence shall be granted in such form and subject to such conditions including conditions as to payment of licence fees not exceeding one hundred rupees as may be prescribed."

The proviso to sub-clause (2) was deleted.

Sub-clause (3) was deleted, as the substance of it was incorporated in the amended sub-clause (2).

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The words and figure 'section 18 or' were added before the word and figure 'section 23' occurring in sub-clause (4) (*c*) (iii).

Sub-clause (4) as amended was approved.

Sub-clause (5) was deleted.

Sub-clause (6) was approved.

The words 'or deemed to be granted' occurring in sub-clause (7) were deleted.

Raja Sri M. A. Muthiah Chettiar enquired whether a money-lender would have the right to carry on his business if he had applied for a licence sufficiently in advance of the expiry of the current licence but on which no final orders as to renewal or refusal of licence had been communicated by the authorities even after the expiry of the period of the previous licence. He also wished to know whether in cases of refusal to renew a licence, the money-lender would be allowed to realize the loans advanced during the period covered by a licence. He also pointed out that a money-lender, the renewal of whose licence had been refused, would in certain circumstances have to get new promissory notes from his clients.

The Hon. Sri C. Subramaniam said that provisions might be made in the rules that application for renewal of a licence should be made a month in advance of the period of expiry of a licence. It was agreed that suitable provisions should be made that in case renewals of the licences were not refused before the expiry of the licences, the applicants should be deemed to have licences till orders on their applications were received by the applicants. In case the licence was not granted a person should be enabled to realize the amount lent by him already without any further licence. Law Department was requested to incorporate the suggestions in clause 4 (7) or 4 (8).

Sub-clause (8) was approved subject to the necessary changes.

Clause 5.

The clause was approved.

Clause 6.

The entire clause was deleted.

Clause 7.

The following was substituted for clause 7 :—

Money-lenders to exhibit their names over shops.—Every money-lender shall always keep exhibited over his shop or place of business his name with the word 'money-lender' in the chief language of the locality.

Clause 8.

Sub-clause (1) was deleted.

The words and comma 'advanced otherwise than on a pledge,' occurring in sub-clause (2) were deleted.

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The sub-clause as amended was approved.

Sub-clause (3) was deleted.

Sub-clause (4) was approved.

For the words and figures " under sub-sections (1) and (2) " occurring in sub-clause (5), the words and figure " under sub-section (1) " were substituted, as the first sub-section was deleted and sub-section (2) would be renumbered as sub-section (1).

Clauses 9 *and* 10.

The clauses were deleted.

It was agreed, on the suggestion of Sri P. Rangaswami Reddiar, to include a new clause similar to the provisions in the Madras Indebted Agriculturists (Repayment of Debts) Act, 1955, regarding deposit of debt into court by debtors.

Clause 11.

Sub-clause (1) (*a*) (iii) and (*b*) were deleted in view of the decision to exclude pawn-brokers from the scope of the Bill.

Sub-clause (1) as amended was approved.

For the words " either in such language of the locality as may be prescribed or in English " occurring in sub-clause (2), the words " in such language as may be prescribed in respect of any area" were substituted and sub-clause (2) was approved as amended.

Sub-clause (3) was deleted.

Sub-clause (4) was approved.

The words and comma " or in the pawn-ticket furnished to the pawner," occurring in sub-clause (5) were deleted in view of the decision to exclude pawn-brokers from the scope of the Bill. The rest of the sub-clause was approved.

Sub-clause (6) was approved.

The words and commas " or if a pawn-broker fails to deliver to the pawner, a pawn-ticket as required by section 9," occurring in sub-clause (7) were deleted and the sub-clause was approved as amended.

Clause 12.

The clause was deleted.

Clause 13.

Sub-clauses (1) and (2) were approved.

Sub-clause (3) (*a*) was deleted.

It was decided to amend sub-clause (3) (*b*) so as to include within its scope also cases where a money-lender carried on the business of money-lending in contravention of the provisions of this Act.

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Raja Sri M. A. Muthiah Chettiar said that the power of search conferred on the Inspector by this provision extended even to the places of persons who were not money-lenders. Persons inimically disposed towards a person might complain that he was carrying on the business of money-lending without a licence, and on the basis of this complaint, his premises might be searched. He said that conferment of such a power was too drastic and suggested that the penalty for carrying on money-lending without a licence might be the levy of a fine ten times the amount of the licence fee or some such punishment. The penalty imposed for not taking out a licence in the Money-lenders' Acts of the other States might be looked into and it could be incorporated in this Bill if it was less drastic.

The Hon. Sri C. Subramaniam replied that the provision for the issue of a warrant by a First-class Magistrate was a sufficient safeguard against the possibility of any misuse of the power of search.

Sub-clause (3) (*c*) was approved.

Sub-clause (4) was approved.

Clauses 14, 15, 16 *and* 17.

The clauses were deleted.

Clause 18.

For sub-clause (1), the following was substituted :—

(1) Any money-lender whether licensed or not—

(*a*) who actually advances an amount less than the amount shown in his accounts or registers or other document relating to the loan, or

(*b*) who takes or receives interest or any other charge at a rate higher than the rate shown in the accounts, registers or document aforesaid or allowed under this Act

shall be punished with imprisonment which may extend to six months or with fine which may extend to one thousand rupees or with both.

Raja Sri M. A. Muthiah Chettiar said that the penalty of fine and cancellation of licence were sufficient and strongly pleaded for deleting the penalty of imprisonment.

The Hon. Sri M. A. Manickavelu and the Hon. Sri C. Subramaniam said that there should be provision for imprisonment to act as a deterrent.

Sub-clause (2) was amended as follows :—

(2) If a money-lender is convicted of an offence under sub-section (1), the Court convicting him may cancel his licence as a money-lender.

The clause as amended was approved.

Clauses 19 *and* 20.

The clauses were approved.

Clauses 21 *and* 22.

The clauses were deleted.

Clause 23.

For the words " one year " the words " six months " were substituted.

The clause as amended was approved.

Clause 24.

Sub-clasue (1) (*a*) and (*b*) were approved.

For sub-clause (1) (*c*), the following was substituted :—

" (*c*) if the licensee is convicted for an offence under section 18 or section 23, or ".

Sub-clause (1) (*d*) was approved.

Sub-clause (1) (*e*) was deleted.

Sub-clauses (2) and (3) were approved.

Clauses 25 *and* 26.

The clauses were approved.

Clause 27.

It was decided to add a proviso to the clause to the effect that a money-lender would not be required to take out a licence if he had stopped lending money but was only recovering the loans advanced during the period of the validity of the licence.

Sri P. Rangaswami Reddiar suggested that an omnibus savings clause like the one in the Madras Agriculturists' Relief Act to the effect that nothing contained in this Act shall apply to any loan advanced before the commencement of this Act might be included.

Sri C. H. Kanaran suggested that retrospective effect might be given at least with regard to the rate of interest.

The Hon. Sri C. Subramaniam said that he was not in favour of the suggestions. He explained that the rate of interest provided in this Act would apply from the date of commencement of this Act even to loans advanced before the commencement of this Act even if the contract rates had been higher.

The Committee then adjourned to meet again at 9 a.m. on the 26th May 1956.

Ootacamund, Saturday, the 26th May 1956.

The Joint Select Committee on the Madras Money-lenders Bill, 1955 (L.A. Bill No. 38 of 1955), met at 9 a.m. in the Council Hall, Ootacamund. The following members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Raja Sri M. A. Muthiah Chettiar.
5 Sri N. Mounaguruswami Naidu.

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6 Sri AR. A. RM. Chockalingam Chettiar.

7 Sri K. R. Viswanathan.

8 Sri T. K. Rama.

9 Sri M. R. Ramachandran.

10 Sri C. H. Kanaran.

11 Sri C. Kandasami.

12 Sri P. Chokkalingam.

13 Sri S. S. Kolkebail.

14 Sri P. Rangaswami Reddiar.

15 Sri M. P. Subramanyam.

16 Sri A. Ratnam.

17 Sri S. T. Adityan.

18 Sri V. Balakrishnan.

Associate Members.

19 Sri S. P. Sivasubramanya Nadar.

20 Sri M. Ethirajalu.

21 Sri Mohamed Raza Khan.

Secretariat :

Sri T. Hanumanthappa (*Secretary*).

Sri G. M. Alagarswamy (*Assistant Secretary*).

The Secretary to Government, Law Department, and the Deputy Secretary to Government, Industries, Labour and Co-operation Department, were also present.

Clause 28 was taken up for consideration.

Sub-clause (1).—For the words "one year" and "one thousand and five hundred rupees", the words "six months" and "one thousand rupees" respectively were substituted.

Sub-clause (1), as amended, was approved.

Sub-clause (2) was approved.

The clause, as amended, was approved.

Clause 29.

Clause 29 was approved.

Clause 30.

The clause was deleted.

Clause 31.

Sri P. Rangaswami Reddiar suggested that only First-class Magistrates should be empowered to try offences punishable under this Act.

Sri N. Mounaguruswami Naidu wanted that the word "salaried" should be inserted before the words "Magistrates of the second class" so that Honorary Second-class Magistrates might not try offences punishable under this Act.

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The Chairman state that the Government would examine the suggestion made by Sri N. Mounaguruswami Naidu.

Sri K. Rajaram pointed out that in many places there were not First-class Magistrates and that the clause might remain as it stood.

Clause 32.

The following clause was substituted for the existing clause :—

" *Contracts not to be void on account of offence.*—Where a money-lender is guilty of an offence punishable under this Act any contract made by him in relation to his business of money-lending shall not be void by reason only of that offence nor shall he, by reason only of that offence lose his right to the loan and the interest and other charges, if any, payable in respect thereof."

Clause 33.

Sub-clauses 1 and 2 were approved.

Sub-clause 3 was amended as follows :—

" All rules, notifications and orders made under this Act shall, as soon as possible after they are made, be placed on the Table of both the Houses of the Legislature for 14 days and shall be subject to such modifications and alterations whether by way of repeal or amendment as the Legislative Assembly may make during the period in which they are so laid."

Clause 33, as amended, was approved.

Clauses 34 *and* 35.

Both the clauses were deleted.

Sri P. Rangaswami Reddiar suggested that there should be a savings clause like the one contained in the Madras Agriculturists' Relief Act to the effect that nothing contained in this Bill should apply to any loans advanced before the commencement of this Act.

The Chairman stated that a decision had already been taken the previous day that the rate of interest provided in this Bill would apply from the date of commencement of this Act only.

Sri N. Mounaguruswami Naidu suggested that exemption should be given to widows who were living on the interest derived by lending the money out of the small maintenance amounts given to them. Sri T. K. Rama also suggested that money-lenders transacting business up to Rs. 5,000 and less should be exempted. Sri C. Kandasami pointed out that exemption would always create difficulties.

The Hon. Sri C. Subramaniam pointed out that casual money-lending would not come under the Bill and there was therefore no need to provide for exemption in such cases.

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Sri Mohamed Raza Khan enquired when the amendments to the Pawnbrokers Act would be brought forward.

The Hon. Sri C. Subramaniam stated that when the Money-lenders Bill, as redrafted, was considered at the next meeting of the Joint Select Committee, the necessary amendments to the Pawnbrokers Act would also be considered with reference to their inclusion as an annexure in the Bill itself.

The Committee then adjourned.

Wednesday, the 18th July 1956.

The Joint Select Committee on the Madras Money Lenders Bill, 1955, met in the Committee Room in the Legislators' Hostel. (Old) Government Estate, Mount Road, Madras, at 11 a.m. on Wednesday, the 18th July 1956. The following members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri S. T. Adityan.
4 Sri V. Balakrishnan.
5 Sri P. Chockalingam.
6 Sri AR. A. RM. Chockalingam Chettiar.
7 Sri C. H. Kanaran.
8 Sri C. Kandasami.
9 Sri S. S. Kolkebail.
10 Sri N. Mounaguruswami Naidu.
11 Sri P. M. Munuswamy Gownder.
12 Raja Sri M. A. Muthiah Chettiar.
13 Sri K. Rajaram.
14 Sri T. K. Rama.
15 Sri M. R. Ramachandran.
16 Sri P. Rangaswami Reddiar.
17 Sri A. Ratnam.
18 Sri T. V. Sannasi.
19 Sri M. P. Subramanyam.
20 Sri K. R. Viswanathan.

Associate Members.

1 Sri M. Ethirajalu.
2 Sri K. Balasubramanya Ayyar.
3 Sri Mohamed Raza Khan.
4 Sri S. P. Sivasubramanya Nadar.

Secretariat :

Sri T. Hanumanthappa (*Secretary*).
Sri G. M. Alagarswamy (*Assistant Secretary*).

TRUTH ALONE TRIUMPHS

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The Secretary to Government, Law Department, and the Secretary to Government, Industries, Labour and Co-operation Department, were also present.

At the outset, the Chairman informed the Members that as the amendments to the Madras Pawnbrokers Act, 1943, which became necessary consequent on the decision of the Committee to exclude pawnbrokers from the scope of this Bill were very many it would be better to take up the question of amending the Pawnbrokers Act separately.

Sri P. Rangaswami Reddiar asked whether the Amending Bill could not be introduced during the sitting of the Assembly commencing on the 8th August 1956.

The Hon. Sri C. Subramaniam promised to expedite the framing and introduction of the Bill.

The Committee then took up for consideration the Bill as redrafted by the Law Department with reference to the decisions it had taken.

Clause 1.

Sub-clauses (1) and (2) were approved.

Sub-clause (3) was recast as follows :—

(3) It shall come into force in any area on such date as the Government may by notification in the *Fort St. George Gazette* specify, which date shall not be earlier than the expiry of three months from the publication of the notification, and the Government may cancel or modify any such notification.

Clause 2.

Sub-clauses (1) to (7).

Sub-clauses (1), (3), (5), (6) and (7) were approved and sub-clauses (2) and (4) were deleted.

Sub-clause (8).

In sub-clause (8) (i), for the words " in a company ", the words, brackets and figures " in a company as defined in the Companies Act, 1956 (Central Act I of 1956) " were substituted.

On the suggestion of Sri K. Balasubramanya Ayyar, it was decided to add to the items relating to exclusion from the definition of ' loan ' the following two items :—

An advance made by any authority specified by Government by notification in the *Fort St. George Gazette*

and

An advance made to its members any nidhi or permanent fund registered under any law in force in India.

Subject to the incorporation of the above amendments, the sub-clause was approved.

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Sub-clause (9).

In sub-clause (9) (*b*), for the words " deprives him or hinders him in, " the words " deprives him of, or hinders him in, " were substituted.

In sub-clause as amended was approved.

Sub-clauses (10) to (13).

Sub-clause (11) was deleted and the rest were approved.

Clause 3.

In Explanation II (*c*) the words " section 4 of " and " Central Act VII of 1913 " were deleted and the figures " 1956 " were substituted in place of the figures " 1913 ".

Clause 4.

Raja Sri M. A. Muthiah Chettiar of Chettinad enquired as to how long a money-lender, whose licence had been cancelled, should wait before he could apply for a fresh licence.

After some discussion, it was agreed that in regard to such a person a provision should be made in the clause to the effect that one of the considerations that should weigh with the licensing authority was whether a money-lender had had his licence cancelled within six months before the date of the application for the fresh licence.

The clause was approved subject to the incorporation of the amendment suggested above.

Clause 5.

The clause was approved.

Clause 6.

For the words " the word ' money-lender ' in the chief language of the locality ", the words " the word ' money-lender ' and its equivalent in the regional language " were substituted.

The clause as amended was approved.

Clause 7.

Sub-clauses (1) and (2) were approved.

Sri K. Balasubramanya Ayyar pointed out that while sub-clause (2) allowed the collection by the money-lender of such charges as may be prescribed; sub-clause (3) provided *inter alia* that he shall not collect any charge. He felt that ' any charge ' might mean even the charges allowed by sub-clause (2).

To remove the ambiguity pointed out by Sri K. Balasubramanya Ayyar, sub-clause (3) was recast as follows :—

(3) A money-lender shall not demand or take from the debtor any interest, profit or other sum whatsoever in excess of that payable under sub-section (1).

Clause 8.

The clause was approved.

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Clause 9.

Referring to sub-clause (3), Raja Muthiah Chettiar suggested the fixation of a time-limit within which a debtor might object to the correctness of the account furnished by the money-lender.

The Hon. Sri C. Subramaniam said that prescribing such a time-limit would not be proper as no debtor who did not object within a stipulated time to the correctness of a statement of account should be debarred from claiming credit for anything that might have been paid by him but not accounted for in the statement furnished.

The clause was approved.

Clause 10.

Sri K. Balasubramanya Ayyar felt that the use of the words 'Presidency town' occurring in clause 10 (3) (*a*) was not appropriate to the present times.

The Hon. Sri C. Subramaniam replied that that was the wording in the General Clauses Act also.

Raja Sri M. A. Muthiah Chettiar asked whether the report of the Inspector referred to in clause 10 (3) (*a*) should not be a report filed on oath.

The Hon. Sri C. Subramaniam said that an Inspector might incorporate in his report even information obtained from secret sources and it was impractical to expect him to file an affidavit.

With reference to clause 10 (3) (*b*), Sri K. Balasubramanya Ayyar said that the names of persons whose testimony an Inspector required should be incorporated in his report to the Magistrate.

The Hon. Sri C. Subramaniam said that this was not necessary.

The clause was approved.

Clause 11.

The clause was approved.

Clause 12.

Sri N. Mounaguruswami Naidu said that the clause made the service of notice on a debtor a condition precedent to the launching of any suit or other proceeding against him. There might be cases in which a money-lender might have to file a suit urgently for an attachment before judgment or for getting rateable distribution. Provision should be made for giving discretion to the Court to waive the service of notice in such cases and to allow the launching of any suit or other proceeding.

After a short discussion, the clause was deleted.

Clause 13.

Sri K. Balasubramanya Ayyar pleaded for making the offences under this Act bailable.

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The Hon. Sri C. Subramaniam said that he would request the Law Department to incorporate a provision for making the offences under this Act bailable if they were not already bailable under the Criminal Procedure Code.

Subject to the incorporation of the above amendment if it was found necessary, the clause was approved.

Clauses 14 *and* 15.

The clauses were approved.

Clause 16.

On the suggestion of Raja Sri M. A. Muthiah Chettiar, the words ' at the police station having jurisdiction over the area to which the licence relates and also ' were deleted.

The rest of the clause was approved.

Clause 17.

Sri K. Balasubramanya Ayyar pointed out that the clause referred to ' a person whose licence is cancelled under section 14 '. As section 14 did not relate to cancellation of licence, he suggested that the correct section number might be put in.

Subject to this change, the clause was approved.

Clauses 18 *to* 22.

The clauses were approved.

Clause 23.

Sub-clauses (1) and (2) were approved.

Sub-clause (3) was recast as follows :—

(3) All rules made and all notifications issued under this Act shall, as soon as possible after they are made, be placed on the table of both the Houses of Legislature and shall be subject to such modifications by way of amendments or repeal as the Legislative Assembly may make within fourteen days on which the House actually sites either in the same session or in more than one session.

The Chairman said that a copy of the revised Bill would be circulated to the Members.

The Committee resolved that the Bill be republished. It requested the Chairman to include in the report a statement that a separate amending Bill in respect of pawn-brokers would be introduced and authorized him to sign the report.

The Committee resolved that dissenting minutes, if any, should be submitted before 5 p.m. on Wednesday, the 25th July 1956.

The Committee then adjourned.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
26th July 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

[10th August 1956

APPENDIX.

SUMMARY OF EVIDENCE TENDERED BEFORE THE JOINT SELECT COMMITTEE ON THE MADRAS MONEY-LENDERS BILL, 1955 (L.A. BILL NO. 38 OF 1955), AT THE COMMITTEE ROOM, LEGISLATORS' HOSTEL (OLD), GOVERNMENT ESTATE, MOUNT ROAD, MADRAS.

I

Saturday, the 17th March 1956.

(1) *The Coimbatore District Bankers Association, Coimbatore, Sri T. S. Ramanatha Ayyar, President, Sri P. Rm. S. Rm. Ramanatha Chettiar, K. Rm. K. M. Meyyappa Chettiar and Sri V. M. Kailasam.*

Sri T. R. S. Ramanatha Ayyar said that it would be better and safer to have separate pieces of legislation, one for the pawn brokers and another for other classes of money-lenders as many of the provisions that might be necessary to regulate the transactions and business of the pawn brokers might not be necessary in the case of the other ordinary money-lenders. As an instance, he pointed out that the wide powers given under the Bill to the Police and the other officers of Government might not be necessary in the case of ordinary money-lenders who lent money on the security of goods and other things.

Asked by Dr. V. K. John to explain the difference between the pawn brokers and other ordinary money-lenders, the witness said that the Indian Contract Act contained the definition of 'pawn brokers'. Pawn brokers were those who lent money, generally a small amount, on the pledge of jewels or other articles. Their customers were generally drawn from the middle class people or people in the Government services, etc., who did not borrow generally for purposes of trade or business. The other money-lenders advanced large sums of money on promissory notes, mortgages and other securities such as commodities to traders, merchants, industrialists and others for purposes of trade.

Questioned by Sri K. Bhashyam the witness said if separate legislation for the two types of money-lenders could not be brought in, his alternative would be to have separate chapters in the same legislation, one dealing with pawn brokers and the other with the other ordinary type of money-lenders.

Asked by the Hon. Sri C. Subramaniam whether his suggestion to have two pieces of legislation, one for the pawn brokers and the other for the other ordinary type of money-lenders, was based on his view that there ought to be greater and stricter control over the operations of the pawn brokers than on the ordinary money-lenders, the witness answered in the affirmative. The witness also said that such provisions might be justified in the case of pawn brokers on the ground that stolen property might be involved in their transactions. In the case of the ordinary types of money-lenders, the transactions were open and were sanctioned by Scheduled Banks, and carried on. on healthy lines.

To a suggestion made by Dr. Lakshmanaswami Mudaliar, the witness agreed that different provisions might be framed to regulate the business of money-lenders who lent money on personal security and others who lent money on security of jewels pledged to them by people belonging to the lower income groups. In regard to the

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' Kabuliwalas ' and such type of money-lenders the witness said, their Association has submitted a memorandum in which they had suggested that these people might not be given licences as their activities were found to be injurious to the State and society as a whole. But with regard to other money-lenders who were carrying on the business of money-lending in districts like Coimbatore many of the provisions contained in the Bill were certainly uncalled for.

Asked by Sri K. Balasubramanya Ayyar to catalogue the provisions which in his view would cause inconvenience to ordinary money-lenders, if they and the pawn brokers were to be governed by the provisions of the present Bill, the witness pointed out as an instance to the wide powers given under clause 14 regarding inspection by Police officers. He conceded that it might be necessary to regulate or control the rate of interest but in regard to recognized money-lending business there was nothing for the Police to inspect except when forgery or cheating was suspected.

The Hon. Sri C. Subramaniam pointed out that clause 14 as it stood gave sweeping powers to the Police to enter into any premises without assigning any reason whatsoever and that was what the witness was objecting to. Under certain circumstances such powers might be necessary but there should be some limitation put on the powers given to the Police officers to enter premises.

Sri K. Balasubramanya Ayyar pointed out that the phrase ' without a licence ' in that clause governed both groups of words as ' a licensed money-lender ' and ' any person carrying on the business of money-lending with licence '. Laying emphasis on the words ' as a money-lender ' he maintained that the clause as drafted empowered any Police official to enter only such of those places where money-lending transactions were carried without a licence and it did not empower a Police official to enter a place where the business was carried on with a licence.

The Hon. the Finance Minister said that when the phrase ' licensed money-lenders ' would have no meaning and it was not what was intended also. The present draft had to be properly worded if it was liable to be interpreted as suggested.

Sri K. Bhashyam said that it looked as though the Police officer could enter the premises of a ' licensed money-lender ' without assigning any reason whatsoever.

Sri P. Rangaswami Reddiar pointed out that it was the view of the witness that while the Police might be given such powers to control the business of pawn brokers it was not necessary in the case of those who lent money on mortgages, promissory notes and such other securities as there was nothing for the Police to investigate in such types of business.

The Hon. Sri C. Subramaniam said that was the reason why he was suggesting that such wide powers for the Police were not necessary.

Dr. A. Lakshmanaswami Mudaliar suggested that the words ' carries on business as a licensed money-lender ' occurring in clause 14 should be amended so as to remove the doubt raised by Sri K. Balasubramanya Ayyar.

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The Hon. Sri C. Subramaniam suggested that it would be better if the circumstances under which a Police officer might enter any premises were specified, instead of making a very general provision that an officer of Police might, at any time, enter any premises.

Sri K. Bhashyam agreed with the above view.

The Committee felt that the need for this amendment should be considered in the light of the provisions in clause 13 and reserved the suggestion for future consideration.

Referring to clause 2 (9), the witness said that the definition of the word ' molest ' was very vague. He felt that the definition was drafted keeping in view the activities of Kabuliwalas but now it had been made applicable to all classes of money-lenders. The terms ' inconvenience ' and ' annoyance ' were very vague, and he would like them to be deleted. As regards ' interrogating ', even merely asking for the whereabouts of the borrower might be construed as interrogation. He wanted that the definition should be so amended as not to take away from the money-lender his right of recovery through normal methods, as people went to the courts only as a last resort.

Dr. A. Lakshmanaswami Mudaliar read out the corresponding provision in the Bombay Money-Lenders Act which was more comprehensive than the definition in this Bill, and asked whether he would like that provision to be incorporated in this Bill.

The witness stated it would not be advisable and that such a provision should not be incorporated simply because it was in force in the Bombay State. That provision would, in actual practice, be construed so as to make a creditor desist from making even a legitimate demand for repayment of his debt.

Dr. A. Sreenivasan wanted to know why these money-lenders were visiting the houses of their debtors thereby causing annoyance, mental and otherwise and whether it would not suffice, if the money-lenders took steps in a court of law after giving due notice to the debtor.

Sri K. Bhashyam wanted to know, for instance, whether constant ringing up of the debtor over the telephone by the lender demanding payment of money constituted ' annoyance ' or ' inconvenience ' or not, and why the Government should not take steps to prevent such inconvenience to the debtors.

Sri Ramanatha Ayyar in reply to Dr. Sreenivasan said that going to the houses of debtors was rendered necessary for two reasons, namely, (1) debtors were habitually procrastinating payments; and (2) creditors in their own interest should have personal knowledge of the solvency of their debtors. It would be always possible to take out legal process. The money-lending business was not so simple as that.

As regards the query of Sri K. Bhashyam, the witness said such terms as ' inconvenience or annoyance ' were very difficult to define and it was not unlikely that even sauve and gentle persuasion to repay the loan might be construed as constituting inconvenience or annoyance '. He pleaded that ' violence ' might remain in the definition, but the word ' inconvenience or annoyance ' should be deleted.

Dr. A. Lakshmanaswami Mudaliar and Sri K. Balasubramanya Ayyar requested the witness to suggest a new clause for the existing sub-clause (9) (*a*) setting out his ideas. The witness agreed to do so.

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As regards clause 4, in reply to a query from the Committee, the witness said that he preferred registration of money-lenders to licensing. Sufficient time might be allowed for all money-lenders to register themselves.

To a question from Sri K. Bhashyam as to whether any terms and conditions should be specified in the registration certificate itself, the witness stated that they need not be stated *in extenso* in the registration certificate as persons carrying on money-lending business were even now supposed to carry on their business according to the provisions of the legislation that was now under consideration. Sri K. Balasubramanya Ayyar pointed out that according to the provisions of clause 4 (2) of the Bill, the terms might also vary with individuals. Sri K. Bhashyam stated that he could not understand how they could vary with individuals. The Chairman pointed out that this matter could be decided later on.

Examined by Dr. A. Lakshmanaswami Mudaliar, the witness stated that the licence fee prescribed in clause 4 of the Bill must be reduced and that if a person had transactions at different places, one general licence taken out by him must hold good for every place of business where he was transacting business. Continuing the witness stated that if a firm or an individual had different branches, and that if an offence was committed in any one of the branches the cancellation of the licence with respect to that particular branch alone should be deemed as a proper punishment. To another query whether the licence fee should be based upon the quantum of money-lending business that was being carried on or whether it should be at a uniform rate, the witness stated that there might be two or three categories of licence fees, one for small-scale money-lenders, another for medium-scale lenders and a third for big money-lenders. On the point whether the fee should be refunded if the licence was not granted, the witness was of the view that there was no need for such a provision if a small amount was fixed as licence fee and that if a big amount was fixed as licence fee, there should be a provision for refund.

Answering a question from Sri K. Bhashyam, the witness stated that small money-lenders who lend small amounts to hawkers doing business worth Rs. 2 or so need not be licensed as it would amount to putting too much restriction on the citizen to carry on his business. The witness further stated that there should be a provision for giving a declaration as to the capital invested in the business and one should be exempted from taking a licence either if his capital was below Rs. 1,000 or if he was not an income-tax assessee. When it was pointed out that a money-lender might also have other means of income and might pay income-tax on such income in addition, there would be practical difficulty in enforcing it, if it was laid down that all money-lenders who paid income-tax might be asked to take out a licence, the witness stated that generally money-lenders in this State were doing only money-lending business except perhaps the Marwaries. Regarding the period of the licence, the witness stated that annual renewal would be better and that if a person gave a declaration that he had ceased to carry on money-lending business and that he was only engaged in winding up his business, he should not be asked to take out a licence. Asked as to who should be the licensing authorities and whether they should be judicial authorities or others, the witness stated that he would like the licences to be issued by

judicial bodies and the power of cancelling licences should not be vested in executive authorities and that in any case there should be an appeal to a Civil Court against the order of cancellation.

At this stage, Sri C. Kandaswami pointed out to the Chairman that the witness in the first instance stated that money-lenders might be licensed and after some questions were put by some Members of the Committee, he subsequently changed his views and suggested that registration of money-lenders might be a better course. It would therefore be much better, he added, if the witness might be allowed, in the first instance, to state his views on the various provisions of the Bill and then the Members of the Committee might put questions one by one. This was agreed to.

Continuing the witness stated that the licence fee prescribed was too much and that it should be reduced. He would suggest that anything between Rs. 10 and Rs. 15 would be an appropriate fee. Instead of licensing the money-lenders it would be better to maintain a register of money-lenders doing business in the State in which case a registration certificate might be issued to money-lenders or pawn brokers as the case might be. When a money-lender or a pawn broker gave a declaration that he was not carrying on the business of money-lending but was only engaged in recovering his dues he need not be put to the necessity of renewing the licence.

On the question of the licensing authority, the witness reiterated what he had already said. He also wanted that the licence fee should vary as between big and small money-lenders.

To a question of Sri K. Balasubramanya Ayyar, the witness said that he would personally prefer a single licence valid for all time. In the case of a licence, renewable annually, there was suspense and fear every year whether the licence would be renewed or not and that would work as a great hardship to the money-lenders.

Dr. Lakshmanaswami Mudaliar pointed out that there were annual licences like licences for dogs and motor cars and there was not much difficulty in regard to them and asked why it should not similarly be possible to have an annual licence for money-lenders also. The witness said that the analogy was not quite correct, as the licence under reference was one relating to a trade or business where people took a certain amount of risk. There was suspense during the period between the expiry of a licence and renewal of it, during which interval the money-lenders had to take a certain amount of risk and do business. To a suggestion from Dr. Lakshmanaswami Mudaliar whether the licence could be made automatically renewable within a period of one month from the date of expiry of the previous one, the witness agreed that that would meet his point substantially. Dr. Lakshmanaswami Mudaliar added that a licence would be renewed unless there was any breach or contravention of the conditions in which case the licence could be cancelled for reasons to be recorded.

To another question as to what sort of judicial body the witness had in mind, the witness said that it could be a District Munsif or preferably a Subordinate Judge. Giving his reasons for the same, the witness said that money-lenders would feel safe in the hands of a judicial officer. Dr. A. Lakshmanaswami Mudaliar pointed out that money-lending was more in rural areas than in urban parts and therefore it would be difficult for people in remote villages to go to the officers suggested. The witness said that there were District Munsifs

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in many taluk headquarters. Dr. Lakshmanaswami Mudaliar explained that an executive officer was a touring officer and therefore he would be able to verify things which a judicial officer could not do and asked whether the witness would not prefer an executive officer. The witness agreed and said if it was going to be vested in other than a judicial officer he should be one not below the rank of a Tahsildar.

To a question of Sri K. R. Viswanathan whether the witness still pleaded for a reduction in the licence fee even if a general licence in place of an annual licence was granted, the witness said that he would personally prefer registration by the Registrar of Firms or any other authority invested with powers in that regard.

Answering Sri C. Kandaswami, the witness said that a person doing money-lending business with a capital of Rs. 20,000 or Rs. 50,000 would normally get an annual income of Rs. 2,000, out of which he had to provide for bad debts, family expenditure, income-tax, etc., and thus he would not be able to pay a fee of Rs. 200 or Rs. 300.

The witness agreed with Sri T. K. Rama and said that the money-lenders could be divided into three categories according to the volume of their business.

Sri V. Balakrishnan asked the witness whether establishment charges in running the money-lending business was not much less than in other fields of business and therefore, whether it would not be reasonable that a higher rate of fee should be paid by the money-lenders. The witness pleaded that the remuneration in the money-lending business was static at 12 per cent or so as against mounting profits in other businesses, and therefore the limited profits offset the low establishment charges.

Answering Sri P. Rangaswami Reddiar, the witness said that the licence might be issued once for all and a maximum fee might be fixed.

Dr. A. Sreenivasan pointed out that there were firms making much more money than money-lenders and asked, while they were not divided into separate categories according to the volume of business, why the money-lenders should be divided into groups. Dr. A. Sreenivasan also told the witness that he was not firm in his views, but was wobbling without setting forth a definite view.

Examined by Sri K. Bhashyam as to the conditions under which a licence may be granted or refused, the witness stated that all persons who were at present carrying on the profession of money-lending should be given licences. A new comer to the profession should also be given the licence provided he had not already committed any offence under the Indian Penal Code, Chapter XVII or XVIII.

Speaking on sub-clause (4) of clause 4, the witness said that a single act of default or failure to comply with the provisions of the Act or the rules made thereunder of a single offence should not be a ground for refusal of the licence and that the licensing authority should be given the discretion to come to his own conclusions in such cases on their merits.

The witness wanted the deletion of sub-clause (4), (c) (i) altogether, as it was too wide and vague and anything might be brought under that sub-clause.

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With reference to sub-clause (5), Sri K. Bhashyam wanted to know whether the witness would like the control to be vested in the Government.

At this stage, Sri Mohamed Raza Khan asked whether it was in order to put leading questions to the witness to elicit specific answers. He said that the Committee was concerned with merely eliciting the various points of view put forward by the witnesses. To this the Chairman said that even though answers were elicited by putting such questions, it was open to them to come to their own conclusions.

Proceeding, the witness said that so far as the refusal or cancellation of a licence was concerned, he was of the view that a judicial body should go into the matter. In his opinion the licensing authority should be a person not below the rank of a District Munsif and in the matter of cancellation of a licence, the District Judge in the mufassal and the City Civil Court Judge in the City should be invested with such powers.

Questioned by Dr. V. K. John whether conditions in the money-lending business had so deteriorated as to warrant a new measure of control as proposed in the contemplated legislation the witness stated that his personal view was that no fresh legislation was called for. There was no public demand for an enactment of the kind contemplated. Conditions had not become so drastically bad as to warrant any fresh interference by the Legislature. The Reserve Bank which was in charge of the credit structure of the country had not suggested that a separate legislation was called for at the present moment to control the business of money-lending in the State of Madras.

Continuing, the witness agreed with Dr. V. K. John that the proper method was for the Government themselves to make credit facilities available through Co-operative Societies.

To another query from Dr. V. K. John whether the grant of a licence or registration certificate should be for a specified period, and whether the witness would favour the idea of renewal of the licence every year, the witness replied that a licence should be valid so long as the individual or the firm carried on the business of money-lending and that he would favour the idea of renewal every year.

Sri C. Kandaswami pointed out that if the power to grant a licence was vested in the Civil Courts as suggested by the witness, poor money-lenders would be put to considerable difficulty and expense in going to Courts and that those who were doing the money-lending business in the villages always needed the aid of a vakil. He wanted to know whether the power could not be entrusted to an executive authority instead of a Civil Court. The witness answered that there should be provision in the enactment that the licence should be granted on a petition presented for that purpose. So far as the authority in whom the power should be vested was concerned, he mentioned that his order of preference would be the Civil Court, the Tahsildar or the Sub-Registrar. Even if the power was vested in the Revenue Officers, he pointed out they would incur some expense by way of stamps, etc.

To another question put by Sri C. Kandaswami, the witness replied that the licence should be refused only if a person had been found guilty of an offence on at least half a dozen occasions.

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Clause 6—Closing of business on public holidays.

With reference to clause 6, the witness said that a continuous period of at least ten days should be provided, as in the event of a death in the family or in the case of illness, a person might not be able to attend to his business for a longer period.

The Chairman said that as it was only a question of the period for keeping the business closed it would be considered.

Clause 8—Interest and charges allowed to money-lenders.

Proceeding, the witness said that in their memorandum they had suggested that in the case of secured loans not exceeding Rs. 1,000 interest at 15 per cent might be charged and that on secured loans exceeding Rs. 1,000, 12 per cent might be charged. In the case of unsecured loans, interest at the rate of 18 per cent might be charged on loans up to Rs. 1,000 and 15 per cent on loans exceeding Rs. 1,000. In his opinion, the rates suggested in the Bill were unrealistic.

The witness also wanted that there should be separate provision for short-term loans repayable within 15 days or 20 days. Such loans should carry interest at a slightly higher rate, say 20 per cent.

Sri K. Bhashyam wanted to know whether it would not be better to leave the question of interest to be decided by Courts on the merits of each case, giving them wider powers if necessary.

To this, the witness replied that he did not know whether the Legislature wanted to control the rates of interest also. Even now under the Usurious Loans Act the Courts were entitled to decide the rate of interest if they thought that the rate charged was usurious. He agreed with the suggestion that wider powers might be given to the Courts for this purpose.

Sri V. Balakrishnan enquired whether it would be necessary to fix different rates of interest between agriculturists and non-agriculturists. After some discussion the witnesses agreed that it was better to have uniformity in the matter and that they did not therefore want to suggest any difference in rates for these classes of people.

Sri K. Balasubramanya Ayyar asked why the rate of interest as specified in section 8 should not be adhered to and why it should be increased. The witness replied that the rate of interest specified in the Bill was low, that if such a low rate was charged, there was every likelihood of malpractices coming in and that therefore, taking into consideration the prevailing market conditions, a maximum rate of interest should be fixed. He mentioned that money-lenders were entitled to as much sympathy from the Government as borrowers, because they themselves were borrowing, from other people for which they would have to pay interest, and in addition they had to meet their own expenses and make provision for bad debts, etc. He therefore pointed out that a reasonable margin should be allowed to them because money-lenders had also got to live.

Sri K. Balasubramanya Ayyar then enquired what the witness had to say in regard to the calculation of interest—whether it should be calculated with reference to the British calendar or the Tamil calendar. Sri Ramanatha Ayyar replied that he would like it to be calculated with reference to the British calendar.

(Examination of witness—not concluded.)

II

Monday, the 19th March 1956.

(2) *The Madras Financiers' Association (Sri K. Hansraj and Sri Parasmull Jain).*

Sri K. Hansraj who acted as spokesman said that his Association represented the pawn-brokers and that pawn-broking was money-lending on pledges like gold rings, chains or bangles or silverware, brass-ware or copperware and furniture.

The witness explained that as far as pawn-brokers were concerned, the question of molestation had no application to them, as people going to them for loans, pledged jewels, etc., and the pawn-brokers had no necessity to call on the borrowers either at their residences or offices. Regarding the charge that these money-lenders were taking undue advantage of the helpless conditions of the borrowers, the witness emphasised that the average loans advanced were below Rs. 100 and there was enough competition as there were about 900 to 1,000 pawn shops in the City and each Corporation division had roughly about 20 pawn shops and rate of interest charged was fair. If a borrower was not satisfied with the rate charged by a pawn-broker, he could go to anybody else where he could get a favourable rate of interest.

To a question from the Hon. Sri C. Subramaniam, the witness said that the rate of interest charged by these pawn-brokers was three pies per rupee per month, which worked out to $18\frac{3}{4}$ per cent. He could not say what the maximum was, but this was the normal rate an average broker charged.

The witness said that the fee prescribed in clause 4 relating to grant and refusal of licences, was too high, and that a fee of Rs. 10 to Rs. 15 would be a fair one, and the licence should be renewable annually.

Regarding clause 4 (4), the witness stated that a substantial default or contravention of the Act must be established before the licence was cancelled and that for any small technical mistakes the licence should not be cancelled. The power to cancel a licence should be vested in a court (judicial officer) and not in an executive officer. If the judicial officer felt that a substantial offence had been committed, then alone a licence should be cancelled.

As regards clause 6 of the Bill, the witness stated that the period during which a money-lender might close his place of business continuously must be raised from five days to ten days as in the event of marriages or deaths occurring in a family the money-lender would not be able to attend to business for a period longer than five days.

With reference to clause 8 of the Bill, the witness pointed out that the rates of interest mentioned in sub-clause (1) of the Bill were uneconomic and unworkable in actual practice. According to clause 11, the pawn-broker was required to maintain a number of documents and books like pawn ticket, sale book of pledges, declarations under section 10, receipts, day book, ledger, etc., which involved much clerical labour. He had also to submit returns in the prescribed form. For assessing the correct value of the articles pledged he had to engage a trustworthy appraiser on a pay ranging between Rs. 50 to Rs. 75.

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He had to carry on his business in an important locality paying a rent of at least Rs. 50 per mensem. Further he had to preserve the articles of pledge in proper condition. He had to appoint a watchman to keep watch over the shop where the jewels and other valuables were kept. All these involved considerable expenditure to a pawn-br ker and these had not been taken into consideration in fixing the rates of interest.

Proceeding, the witness stated that there was loss in the pawn-broking business also. Sometimes stolen articles were pledged and in such cases he had to lose both the principal and interest. The Chairman pointed out that there were cases in which pawn-brokers received stolen articles with the full knowledge that they were stolen property. To this, the witness said that after the passing of the Madras Pawn Brokers Act of 1943, the pawn-brokers were careful enough not to receive stolen property because of the attendant risks. The witness stated that nobody received stolen articles knowingly and those who received stolen property knowingly would not issue a pawn ticket in which case he would not be caught and the same could not be prevented by the present legislation and the provisions in the Indian Penal Code were enough. According to the provisions of the Pawn-Brokers Act, the pawn-broker was required to issue pawn tickets, to issue a registered notice to the party in case the pledged article was not redeemed within twelve months and to issue an auction notice and then only he could sell the article in public auction, all of which involved a considerable amount of expenditure.

To a question from Sri K. Balasubramanya Ayyar, whether the witness was in favour of retaining those provisions of that Act, he replied in the affirmative.

Dealing with the first paragraph of the Statement of Objects and Reasons, the witness said that they were confusing and did not represent the true state of affairs. On the contrary, there were many instances where pawn-brokers had helped the Police to recover stolen property.

Asked by the Finance Minister what the witness would suggest as reasonable rates of interest, the witness replied that three pies per rupee per month in the case of loans below Rs. 100 (18¾ per cent) and two pies per rupee per month in the case of loans exceeding Rs. 100 (12½ per cent) would be reasonable rates. The witness pointed out that the Mylapore Permanent Fund was charging 7½ per cent interest on such loan. To a question from Dr. A. Lakshmanaswami Mudaliar as to what was the rate of interest the Scheduled Banks charged, the witness replied that they charged something between 7½ to 9 per cent while non-scheduled banks charged about 12 per cent.

Regarding clauses 13 and 14, the witness said that the powers given to the inspectors and the Police officers under these two clauses were of an overriding nature. The same powers were given to the Police officers and to the inspectors to inspect the documents, enter into the premises and inspect books, accounts, etc. He said that in the morning the inspector might come and make an inspection and in the evening a Police officer might come and do the same thing. So, he suggested that either of the two clauses might be retained with modifications. Regarding inspection of safes, vaults and pledges, the witness said that the Police or anybody else should not be allowed to enter into the rooms where such jewels were kept because that would lead to a lot of harassment to the pawn-brokers. They could go through the documents and if they wanted any property that particular

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item or jewel could be handed over without much difficulty. He also pointed out that inspection at any time was a very dangerous provision and the Police officer or inspector may come at night and trouble them. He suggested that any inspection should be done only during business hours. If clause 14 was to be retained, the witness requested that such powers might be given not to the Sub-Inspector of Police but to the Inspector or Deputy Superintendent of Police.

Coming to clause 16 which dealt with sale of pledge and inspection of sale book, the witness said that for pawns for less than Rs. 10 it would be quite impossible and unworkable to have them auctioned. He quoted section 11 of the Madras Pawn Brokers Act, 1943, and said that similar provision might be made in the Bill so that pawns for less than Rs. 10 need not be auctioned. He said that, if necessary for articles pawned, the value of which is less than Rs. 10, the time-limit for redemption might be extended to, say, fifteen months.

As regards clause 17 dealing with the liability of a pawn-broker in case of fire, the witness said that if the pawn-brokers were made liable for loss due to fire, etc., they should be permitted to collect insurance charges from the pawner.

As regards clause 18, the witness suggested that punishment with a fine of Rs. 1,000 or Rs. 1,500 was quite sufficient and that imprisonment was not necessary. The Hon. Sri C. Subramaniam pointed out that offences mentioned under that clause would amount to cheating and that it should therefore be put down with a strong hand. He said that the witness could not plead for modification of that clause. The witness then said that even in the Act of 1943 there was no provision for imprisonment and as such he was against the provision for imprisonment. He had no objection to the licence being cancelled in such an event.

Coming to clause 24 the witness said that since he had already agreed to the suggestion of having an annual licence, there was no necessity for the licensing authority to cancel the licence within one year and that if cancellation was considered necessary, it might be done by a court of law and not by an executive authority.

The witness requested that clause 30 might be dropped because such wide powers given to the Police would lead to abuse and harassment.

Sri V. Balakrishnan then asked whether the pawn-brokers intimated the pawner if any excess amount was collected at an auction. The witness replied that the pawner was always given a registered notice even before the auction was conducted, that it was open to him to be present at the time of auction and that even afterwards he could come to the pawn-broker and claim the excess amount. He said that there should be provision in the Act for recovering any deficit amount from the pawner personally in case the auction did not fetch a price sufficient enough to wipe out the debt and interest.

To a question whether he would not be entitled to recover it under the general law, the witness replied that absence of such a provision in 1943 Act was being construed by courts as a bar under the general law as the Act was supposed to regulate all matters completely between the pawner and the pawnee.

Answering a query from Raja M. A. Muthiah Chettiar whether they would like to have a separate enactment for the pawn-brokers, the

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witness stated that pawn-broking was nothing but money-lending on securities which were movable properties and so there was no necessity for having a separate legislation for pawn-brokers.

The Hon. Sri C. Subramaniam asked the witness what was wrong in having a separate Act for pawn-brokers, inasmuch as the witness himself had stated that there was no molestation by pawn-brokers because they had enough security available with them. The witness replied that they could have a separate chapter for pawn-brokers and that he would leave it to the Committee.

Asked by Raja M. A. Muthiah Chettiar about the rate of interest charged by scheduled banks for loans on mortgage of house property, the witness quoted the following instances:—

	RS.	PER CENT.
Thiruvatteswara Hindu Janopakara Bank, Limited	4,000	9
Dhana Vardhana Saswatha Nidhi, Limited	5,000	9
Madras Permanent Fund, Purasawalkam	2,000	7½
Egmore Benefit Society	1,000	7½
Nungambakam Saswatha Dhana Raksha Nidhi, Limited.	5,000	6¼
Triplicane Bank, Limited	8,000	7½
Thyagarayanagar Co-operative Society		6½

The witness also added that all these banks had clauses providing for collection of penal interest in the event of default.

(3) *Democratic Chamber of Commerce, Madras* (*Sri Umraomal*).

The witness stated that there should be no differentiation and all classes of money-lenders should be put in one group, that there should not be police interference, that there should be a system of registration on payment of lump-sum fee as the money-lending business was one which should be kept going continuously and that they should be brought under the control of the Registration Department as in Bombay.

The witness suggested that money-lending under a system similar to the hire-purchase system should also be brought under the purview of the Bill as many resorted to this method of mortgaging property like cars and drafting the loan deed on the lines of the hire-purchase system without the property actually leaving their hands.

Answering a query from Raja M. A. Muthiah Chettiar as to whether the witness was giving evidence on behalf of money-lenders or borrowers, the witness replied that he was representing both sides.

(4) *The Sindhi (Multani) Bankers' Association, Madras*, (5) *The Sindhi (Multani) Bankers' Association, Salem*, (6) *The Sindhi (Multani) Bankers' Association, Vellore and* (7) *The Sindhi Hindu Refugee Relief Committee, Madras.*

Sri Kisherchand Daulatram of Madras Association and Sri Nandalal of the Salem Association acted as the spokesmen of these associations and answered the questions put by the Members of the Committee.

Sri Kishenchand Daulatram represented that they should be exempted from the operation of this Act since they were lending money to traders only for productive purposes at a reasonable rate of interest for short terms and that too without any security. Their business, the witness said, had been exempted from similar enactments passed by the States of Bombay, Bengal, Hyderabad, the Punjab, Cutch, etc.

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If this exemption was not granted the economy of the State would be upset, and there would not be this easy availability of credit. Prior to the publication of the Bill they were charging interest at the rate of 13½ per cent. Since the publication of the Bill they had revised the rate and fixed the maximum at 12 per cent. That was only the maximum they charged and the rates varied according to the market conditions.

Asked whether in the Acts passed by other States exemption was not granted to loans similar to those advanced by them, Sri Nandalal referred to the Punjab Act and said that loans advanced to traders and advances made on the basis of negotiable instruments as defined in the Negotiable Instruments Act, 1881, other than promissory notes had been exempted.

The spokesmen pleaded that under clause 2 of the Bill the definition of the word ' loan ' should be so amended as to exclude such loans from the purview of the Bill.

Answering further questions the witness said the trade loans advanced to traders need not necessarily be hundis but they might be loans advanced on mortgage of goods, and promissory notes also. Those loans have been exempted from the operation of similar Acts in other States. The maximum rate of interest now fixed by them, namely, 12 per cent was quite reasonable in that they had to pay 5½ per cent to the banks from whom they obtained accommodation. 2½ per cent was spent towards establishment charges, 2 per cent was spent towards registration and other stamp fees and they were left with only a margin of 2 per cent which was very necessary to maintain themselves and to pay the income-tax.

Replying to a question by Sri A. Lakshmanaswami Mudaliar the witness said they lent money to traders for productive purposes for short terms at reasonable rates of interest without any security, while others lent money on security for long terms for traders as well as others without any consideration of the purpose to which the money taken on loan would be put to.

Continuing his evidence, the witness said that Multanis advanced short-term loans for periods ranging from 30 to 120 days. They selected their customers and they made sure that the traders to whom they advanced loans were actually in the trade and that they would continue to be in the trade. They treated bus transport operators also as traders for the purpose of advancing loans. The number of loans advanced in the City of Madras at any given time might be between Rs. 8,000 and Rs. 10,000 and the amount involved would be about 3 crores of rupees. They were attracting capital from outside the Madras State and were also borrowing in the open market. Multanis had been doing business for more than a century, they had a long tradition and the lending banks never lost a single pie from the Multani community.

His prayer to the Select Committee was to exclude trade bills from the purview of the Bill. If this prayer was not conceded, his plea was that the definition of ' molestation ' should be so amended as to see that it was not capable of being twisted and invoked against the normal processes of personal contact, persuasion, arbitration and settlement which the Multani bankers had necessarily to adopt. Generally, lenders resorted to a Court of law for recovering their dues only as a last resort. If they were deprived of the normal processes

of personal contact, persuasion, arbitration and settlement and made to go to a Court of law in every case of default, it would lead to unending litigation. By the adoption of normal processes, they had been able to recover their dues from defaulters in some cases. They even advanced another loan to deserving defaulters to enable them to recover from the losses that they had sustained. In many instances they had put them again on their feet and had recovered the original and the subsequent loans. They had necessarily to go to the residence of the traders to enquire about their whereabouts and to verify whether they were actually carrying on the trade and so on. 'Molestation' as defined in this Bill might give a handle to unscrupulous traders who wanted to evade payment to cause trouble to the creditor when he went there to contact him personally. He had no objection to the Government controlling the rate of interest. Even though trade bills were outside the purview of the Bombay Act, the section regarding the rate of interest was applicable to them.

In reply to Sri K. Bhashyam, the witness said that they advanced Rs. 2,500 on hundis, and that generally the period of the hundi was 90 days. They fixed this maximum period of 90 days as banks would not discount their bills covering a longer period. In some cases their Association allowed even 120 days and banks also discounted those bills provided 30 days of the period had run out.

Dr. John wanted to know the rate of interest the Association charged and why that was not mentioned in the hundi. Sri Kishanchand replied that they charged 12 per cent, but they would not mention the rate of interest in the hundi itself, as the Negotiable Instruments Act would not permit of the rate of interest being mentioned.

As for the notice period of one month, Sri Kishanchand said that the very hundi itself specified the period within which the amount should be returned, that is, the very transaction was in the nature of a contract. Any default should therefore result in immediate action. Therefore, this notice period should not apply in the case of hundis.

In reply to Raja Sri M. A. Muthiah Chettiar of Chettinad, Sri Nandalal (Salem) said that in Salem private people charged anything between 9 and 12 per cent on mortgages and anything between Re. 1 and Re. 1–4–0 per mensem per hundred on promissory notes.

Sri Kishanchand urged that clause 14 should be deleted.

In reply to Raja Sri M. A. Muthiah Chettiar, Sri Kishanchand said that as long as the banks discounted their bills at 5½ per cent, they might be allowed to charge 12 per cent on trade bills. If at any time the bank rate went down to that extent, their rates would also go down.

In reply to Sri V. Balakrishnan, Sri Kishanchand said that their Association was doing honest business and that no exorbitant rates of interest were charged. It was not correct to suppose that amounts were recovered in more than one instalment.

Sri Nandalal (Salem) replying to queries said that unless they charged 13½ per cent interest, it would not be possible for them to carry on their business.

In answer to Dr. A. Lakshmanaswamy Mudaliar, Sri Kishanchand said that the Central Bank's rate might be adopted by the Government as the basis for fixing the rate of interest on trade bills.

The witness finally reiterated what he had already stated, viz., that principally they financed traders and small industrialists on hundis, and that they in turn borrowed money from banks on these hundis. On an average they charged interest at 12 per cent to their constituents on hundis and out of this amount they paid interest 5½ per cent to the banks for discounting their trade bills, a further 2½ per cent was spent on establishment, 2 per cent was spent on registration, stamp charges and towards bad debts and thus they were left with 2 per cent with which they would have to maintain themselves and pay income-tax. Continuing he stated that they themselves borrowed money only from the State Bank and Scheduled Banks as smaller banks charged 8 or 9 per cent interest. Apart from this, they were also selling their bills in the open market in Bombay and those who wanted to invest their money purchased the same.

On being questioned by Dr. A. L. Mudaliar as to which Bank's rate should be taken into account in fixing the rate of interest on hundis or trade bills, the witness stated at first that the rate at which their bills were discounted by the Central Bank may be taken into account as the State Bank did not provide all the credit and on pointing out that Government could not recognize the Central Bank's rate while the Reserve Bank and State Bank were functioning the witness stated that the State Bank's rate plus ½ per cent might be taken as the Bank rate prevailing in the market and they should be permitted to charge 6 per cent more than the Bank rate so arrived at on hundis or trade bills. Out of the 6 per cent so allowed to them, 2½ per cent would go for establishment charges, 2 per cent for stamps, registration and bad debts and out of the remaining 2 per cent they had to pay income-tax and maintain themselves.

As regards the maintenance of their accounts in English or Tamil, the witness stated that a majority of them did not know English at all, that they were too old to learn any new language now, that the Courts and the Central Government recognized their language, and that they might be permitted to keep their accounts in their own language. He added that they had all come from Sind, now in Pakistan State, and overnight they could not learn the English or Tamil language and that their children were now learning Tamil in schools and by the time they grew up they would be in a position to keep accounts in the Tamil language.

TRUTH ALONE TRIUMPHS

III

Tuesday, the 20th March 1956.

(8) *The Madras State Money-Lenders' Federation, Madurai,* (9) *The Tiruvannamalai Money-Lenders' Association, Tiruvannamalai,* (10) *The Tiruchirappalli District Money-Lenders' Association,* (11) *The Madurai-Ramanathapuram Money-Lenders' Association, Madurai and* (12) *The South Arcot District Money-Lenders' Association, Villupuram.*

(1) Sri K. A. P. VISWANATHAN.—At the outset, the witness stated that in his capacity as a mandi merchant and as the spokesman of the Madras State Money-Lenders' Federation he was giving evidence on behalf of the other Money-Lenders' Associations also which were constituent parts of the Federation.

He stated that the proposed legislation was not at all necessary for the following nine reasons. In the first place, the Madras Pawn

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Brokers' Act, 1943, was itself sufficient to control and regulate the business of money-lending. Secondly, there was no demand or necessity for such a legislation and it was wholly uncalled for. Thirdly, merely because a very negligible minority of unscrupulous persons like Kabuliwallahs, etc., resorted to some malpractices in certain towns, the Government were bringing in this legislation. Such stray instances should not be the criterion for bringing in a legislation of this kind. Fourthly, poor and needy people who depended entirely on agriculture as their prime occupation would be hard hit as a result of this legislation. The few Co-operative Banks that existed in the State were not able to cater to the needs of the army of agriculturists. The extent of credit required for agriculturists was of the order of fifty crores of rupees and Government were providing only Rs. 6 crores through their Co-operative agencies. The balance of credit required by the agriculturists was afforded only by private money-lenders. If the agriculturists were to borrow from the Co-operative Societies, they would not get loans when they were actually in need of it but at a later date. Therefore, as a result of this legislation, the agriculturists would be badly affected. Fifthly, until such time when Co-operative banks were able to provide all the credit and were able to play their part fully, such a legislation would only lead to disaster. Sixthly, as a result of such legislation, abuses and malpractices would only be on the increase. The seventh reason was that, only so far as Tamil Nad was concerned, such a legislation was contemplated while in the other States they had not found it necessary to bring in a fresh legislation. Another reason was that people from Ceylon and Burma had come to Tamil Nad in large numbers so that they might eke out their livelihood by pursuing some profession or other with a small capital.

As a result of this legislation, they would be deprived of an opportunity to provide easy credit facilities as they would be unable to take up the profession of money-lending. Lastly, there were many loopholes and defects in the contemplated legislation. For all these reasons, the witness would advocate the dropping of the Bill altogether.

Taking first, the interest allowed to money-lenders, it was stated that twelve per cent interest would be charged where the amount of the loan did not exceed Rs. 25 and that six and a quarter per cent would be charged where it exceeded Rs. 25. There would thus be a temptation to obtain two bonds for Rs. 25 each if the loan was only for Rs. 50 with a view to get more interest. This was one defect.

In England, the laws in force did not fix any maximum rate of interest. The rate of interest permitted on pawn debts below £2 (Rs. 27 in Indian currency) was 24 per cent per annum and on pawn-debts exceeding £2 and not exceeding £10 (Rs. 137), the interest was 19 per cent. Above that limit, the rate was governed by the contract as entered into by the parties concerned. The witness suggested that those rates might be adopted in this Bill.

Questioned by Sri K. Balasubramanya Ayyar whether these rates applied to pawn-broking business only or to the entire money-lending business, the witness replied that they applied only to the former.

Proceeding, the witness pointed out that Scheduled Banks were charging between 12 and 18 per cent. In addition, they charged penal interest. He could not understand why a discrimination should be made in the case of a private money-lender alone.

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The witness produced for the information of the Committee four receipts showing the rate of interest charged by the Scheduled Banks on pledges of jewels and other valuables. The Tiruchirappalli-Ananthapuram Bank charged 12½ annas per month for a loan of Rs. 75 and default interest of one anna per day; the Palakkarai Bank, Limited, Tiruchirappalli, charged 12 annas interest per month for a loan of Rs. 80 and penal interest of one anna per day; the Tennur Bank, Limited, Tiruchirappalli, was charging an interest of 13 annas 3 pies for a loan of Rs. 80 and the Hindu Bank, Karur, charged 6 annas 3 pies for a loan of Rs. 50. He therefore pleaded that the rates of interest mentioned in the Bill were very low. Even co-operative banks were charging a higher rate of interest than that provided in the Bill.

With reference to the point that loans were easily available at 5½ per cent rate of interest, the witness said it was not so, so far as the South was concerned. It might be true in the case of North India in view of the improved economic conditions and the easy credit facilities available there.

Proceeding, the witness pointed out that there were people like vegetable vendors who gladly and willingly paid even 2,200 per cent interest. In the case of small loans taken by these petty vendors, the rate of interest was one anna per rupee per day which worked out to that exorbitant rate. On being asked to explain how such exorbitant interests were being charged, the witness stated a petty vegetable vendor borrowed in the evening a sum of Rs. 5 with which he purchased greens and sold them the next morning and made a profit of Rs. 2 or Rs. 2-8-0 and he returned the borrowed amount with one anna per rupee willingly. One anna per rupee per day would work out at 2,225 per cent per annum. But they had necessarily to borrow to eke out their livelihood by doing some small business or other and therefore they paid this heavy interest without murmur. Otherwise they would have to resort to begging.

To a question from Dr. A. Lakshmanaswamy Mudaliar as to who was the ultimate victim, the witness said that nobody was affected. The Chairman said that it was on the consumer it fell ultimately.

The witness therefore pleaded for an increase in the rates of interest provided in the Bill.

Proceeding, the witness said that the rate of interest fixed in the Bill was very low considering the establishment charges, the various taxes payable and the interest payable on borrowed capital. If the interest was fixed as set out in the Bill, he said that most of the money-lenders and pawn brokers would have to close their business as the profit after meeting the aforesaid charges would be practically nothing. Taking into consideration, the risks involved in money-lending, he suggested 18¾ per cent for pawns below Rs. 100, 15 per cent for pawns between Rs. 100 and Rs. 250 and 12½ per cent for pawns over Rs. 250. He illustrated the case of a business started with a capital of Rs. 50,000 at the rates prescribed by the Government and said, that, after meeting the establishment charges, house rent and other miscellaneous expenses, the businessman will get only Rs. 20 as profit which was very negligible.

Regarding the grant of a licence, the witness said that it looked to him as though they were placed on a par with accused persons dealing in stolen property. He said that if it was considered necessary to

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grant a licence. it should be granted to both the borrower and the lender or there should be no licence. He considered that a certificate from a Registrar or some other officer would be enough and that it was not also necessary to renew that certificate every year.

The witness then pointed out that doctors, vakils and wholetime servants of the Government had been excluded from the definition of "money-lender". Similarly, widows also should be excluded from the definition.

On this, Dr. Lakshmanaswamy Mudaliar suggested that the relevant clauses in the Bill might be deleted, if necessary, so that the definition of "money-lender" might be applied to everybody. Sri Raja M. A. Muthiah Chettiar also agreed that that was a matter worth considering.

Proceeding, the witness said that it was quite unreasonable to raise the licence fee payable to Rs. 100 and Rs. 300 and that a nominal sum of Rs. 5 or Rs. 10 might be collected. He also urged the deletion of the proviso in sub-clause (2) of clause 4 as no reasons were set forth in the Statement of Objects and Reasons for the provision regarding the non-refund of the licence fee if the licence was refused or application for licence was withdrawn. He said there was no justification for the Government to withhold the fee in such circumstances.

The witness then pleaded that income-tax assessees should not be brought within the purview of the Bill because they, in turn, helped the agriculturists by granting them loans whenever necessary.

Sri Raja Muthiah Chettiar then enquired whether the witness thought that there was need for enacting this legislation because there was already the Pawn Brokers' Act and other Acts in the Statute Book to control money-lending. To this question the witness replied that there were different categories of persons engaged in the money-lending business like the big Scheduled Banks, Funds, persons dealing in hundi business, pawn brokers and persons lending on mortgages of property. The present legislation, if enacted, would affect all these categories of people and as such the witness considered that it should be dropped.

When Sri C. H. Kanaran asked why these money-lenders should be afraid of this Bill if they were honest, the witness replied that the existing laws would suffice and that the proposed legislation was not at all necessary.

The witness further stated that there were good and bad Acts. If a good Act was administered by a good officer there may not be much of a hardship to the general public but even then the people were put to difficulties. If a bad Act were to be enforced by bad officers, the suffering of the people would be very great and there would be greater danger. Unless and until the number of honest and good officers in the Police Department increased to a reasonable extent, i.e., at least until 51 out of 100 officers in the department were honest and good, such powers should not be entrusted to them. If such powers were entrusted to them at the present time, honest people and people with an element of sel-respect could not run the money-lending business, as they would be severely punished even if they committed *bona fide* some small mistakes. He did not understand why, in the matter of punishment, the money-lenders, for the

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mere fault of lending money, should not be treated differently from persons committing heinous offences like dacoity, offences under the Prohibition Act, gambling, prostitution and so on.

Continuing, the witness observed that if the provision relating to the exhibition of the names of money-lenders over their shops was allowed to remain, even Ministers, Members of the Legislature, Officers and all others must have to exhibit their names in their respective houses as there was nobody who was not lending money.

Dr. A. Lakshmanaswamy Mudaliar remarked that it was rather difficult to believe such a sweeping statement and wanted the witness to tell him on what basis he was making the statement.

Sri Viswanathan explaining his point further observed that all merchants were lending money to those from whom they were getting goods. He was a Mandi merchant dealing in tobacco. Suppose he had to lend money quite often to the agriculturists who raised tobacco to help them in times of need. Under the provisions contained in the Bill, he had to exhibit his name which he did not want to do.

Sri C. Kandaswamy observed that if people lent money on interest they must exhibit their name.

The Chairman pointed out that there was a difference between those who were carrying on money-lending as a business and those who were temporarily accommodating others now and then.

Sri Viswanathan said that the Bill did not make any difference between those two sets of people. People who had some other main business, but who were lending money to others on a small interest every now and then should not be brought under the provisions of the Bill. Those who had money-lending alone as their business should be brought under the Act.

As for the possession of a certificate by a debt collector, the witness felt that in actual practice, good and honest people might not get the certificate and thereby both the applicant and the trader would be put to hardship. Though the Act lays an obligation on the money-lender to employ certified debt collectors, the State does not seem to take the corresponding liability and guarantee for the good conduct of the certified debt collector.

As for the provisions relating to penalty for molestation of a debtor, the witness was afraid that if that provision was passed as it was, people who had lent money would find it impossible to realize their dues. Malicious proceedings would be instituted against honest money-lenders also. Even if there was a quarrel between the debtor and some of his relatives and if he was beaten, by his relatives in the course of that quarrel, the debtor would try to foist the charge on the person who had lent him some money. If the money-lender refused to lend money to a defaulter a second time, he might immediately rush to a court and prefer a false complaint against the money-lender stating that he was molested by the money-lender. The Government must keep all these points in mind and suitably amend the provision. If the Government strongly felt that there was molestation by the Pathans, they might come forward with a separate

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legislation for dealing with them. The Government could apply the Money-Lenders' Bill to the City of Madras alone in the first instance. After watching how it worked in the City, the Government could review the position later and see whether it could be extended to the districts also.

Sri K. Bhashyam enquired whether he was agreeable to giving power to the Government to extend the legislation to the districts at a later date.

The witness replied that he was not agreeable to the Government's taking that power under the proposed enactment itself. After watching the experiment in the City, he would give his views later as to whether there was any necessity for extending it to the districts also in the light of the experience gained in the City.

Continuing the witness observed that while they were considering that question, they had to take into account seven sets of parties, viz., the Government, the officials, merchants, the public, money-lenders, agriculturists and the common man. At present, all these parties were getting on well. After the proposed Bill came into force, if there was anything wrong with one of the parties, there would be utter confusion and even disturbance of peace. He warned the Government that they might have to spend quite a lot of money in restoring order and peace. For those reasons, the witness thought that it was unnecessary to proceed with the Bill. If, however, the Government strongly felt that there was need for such a legislation, he would appeal to the Government to postpone it for at least two or three years in order to enable the honest and good people engaged in the profession of money-lending to retire from the profession and switch over to some other business. He was of the view that by passing such a piece of legislation, the Government would only be spoiling the good atmosphere that was prevailing in the State. Ultimately, the agriculturists whom the Government wanted to help would also not derive any benefit from the legislation.

Answering a question put by Sri K. Bhashyam, the witness stated that the Government must come to some definite conclusion as to whether the money-lending business was at all necessary. If they thought that it was necessary, they must bring forward a suitable legislation for protecting the business. If, however, they thought that it was not necessary, they must bring forward a suitable legislation to completely wipe it out.

Sri C. H. Kanaran and Sri S. S. Kolkebail pointed out to the witness that the provisions of the Bill were directed against only those who were unscrupulous. That being so, they asked why good and honest money-lenders should be afraid of the provisions contained in the Bill.

The witness replied that when the provisions were enforced by a bad officer, he would certainly harass even a good and honest money-lender. He strongly felt that there would be such misuse of powers. If the Government were really anxious to punish unscrupulous money-lenders, they could definitely state that the provisions of the Bill would apply only to such people. There was no necessity for applying it to all kinds of money-lenders.

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Sri Valliappa Chettiar representing one of the Associations observed that the provisions contained in the Bill were very comprehensive and they would affect every money-lender. They would affect even a good and honest money-lender. The Bill did not make any mention of any particular set of money-lenders who were said to molest or harass people. It would have been better if a separate Bill had been brought forward only to deal with such people.

Raja Sri Muthiah Chettiar of Chettinad pointed out that in Ceylon there was a separate legislation called the Afghan Money-Lenders' Act to deal with a particular set of money-lenders.

Sri C. Kandasamy pointed out to the witness that his fear that the provisions of the proposed Bill might not be implemented properly by the Officers held good in the case of all enactments of the Government. Simply because there would be some misuse of the powers by some of the Officers, it could not be said that there was no need at all for controlling money-lending.

The witness replied that the Government should come to some decision as to whether there was need for the money-lending business to exist or not. If they thought that there was need for it, they must come forward to protect the business. As far as the witness was concerned, he was of the view that there was absolutely no necessity for the proposed legislation.

Sri C. Kandasami wanted to know why the witness objected to this beneficial reform intended to help the middle-class and the lower middle-class people who were very sincere and honest in repayment of their loans. The witness replied that it was not so simple as that and this Bill would bring all money-lending transactions within its purview and, therefore, he opposed it. He added that as long as the Government did not control the operations in allied commercial enterprises, they need not single out money-lending business for any discriminatory treatment.

To a query from Sri C. Kandasamy whether the City money-lenders would not object to the suggestion of the witness that the Act should be enforced in the first instance in the City alone as an experimental measure, the witness stated that the reason for his suggestion was that Government seemed to bring in this legislation taking into consideration one or two stray incidents in the City alone.

Answering questions from Sri M. R. Ramachandran, the witness said that as against a profit of Rs. 150 to Rs. 200 for a capital of Rs. 50,000 which they were now able to earn, their profit would be reduced to Rs. 20 if they were to charge only the rates of interest contemplated under the Bill. He added that the present profit of Rs. 200 would be sufficient for them.

When the Chairman pointed out that the money-lending machinery did not break down in other States where an enactment similar to the present Bill was in force, the witness replied that the reason for it was the higher rate of interest allowed in those States. Answering a query from Sri K. Balasubramanya Ayyar, the witness stated that they should be allowed to charge a rate of interest higher than the bank rate. If the same rate of interest prevailing in other States was allowed in this State, there would be no confusion.

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(2) Sri Valliappa Chettiar.—The witness said that companies and banks should also be brought within the purview of this Bill as they were charging very exorbitant rates of interest and that co-operative societies alone should be excluded. He wanted that there should be a separate legislation for pawn-brokers and money-lenders and that they should not be clubbed together as their nature of business varied. The witness was against exemption being granted to members of the learned professions as it would lead to abuse. He said that the licence fee should not exceed Rs. 5 and that the applicant should be heard by the licensing authority before he could refuse to grant the licence. It would be better if the change of place of business was notified. instead of insisting upon an endorsement on the licence as it would take a long time and as the business had to be closed until the endorsement on the licence was obtained. To a query from Dr. V. K. John, the witness wanted a fortnight's time for notifying the change of place of business.

The witness stated that the Tamil month should be adopted for the calculation of interest. To a question from Raja Sri Muthiah Chettiar whether the witness had any objection to adopt both English and Tamil months for the calculation of interest, he answered that he had no objection.

He pleaded for the deletion of clause 12 and also clauses 13 (3) and 14 which vested Inspectors and certain Police officers with powers to enter the place of business at any time for search and inspection. According to him, the appointment of Inspectors was unnecessary, as it would cause obstruction to the business.

The witness was of opinion that the maximum period for redemption of a pledge should be reduced to six months, as there was fluctuation in the price of gold. He added that the provision under clause 16 (2) was quite unnecessary, as it would take a long time for the Inspectors to confirm the bid of the pawn-broker.

As regards clause 16 (4) (*a*) the witness pointed out that while there was a provision for returning the surplus amount realised in auction to the holder of the pawn ticket, there was no corresponding provision to collect the deficit amount from the borrower. Raja Sri Muthiah Chettiar told the witness that he could always claim the money due to him under the existing laws. The witness stated Courts have held that as the relationship between the pawner and pawnee was governed by a special Act and unless the Act specifically give power to recover the deficit personally they may not get the deficit and it was so held in one or two cases under the Pawn Brokers' Act 1943. The Chairman observed that they should be careful to advance only as much money as they could get back by auctioning the pawn in cases of default.

As regards clause 17, the witness was of the view that the pawn-broker should be given liberty to charge insurance fees along with interest, inasmuch as they had to compensate the borrowers even if the pawned articles were destroyed or damaged by fire.

The witness wanted that the period of notice of one month mentioned in clause 19 should be reduced to seven days, as there was a chance of the debtor making himself scare on receipt of the notice.

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Referring to clause 21 (2), the witness stated that it would be very difficult for the pawn-brokers to find out whether an article had already been pledged or not. Sri Kolkebail pointed out that the same argument would hold good even in the case of stoolen properties. Raja Sri Muthiah Chettiar was of the view that repledge was the only way of reducing the rate of interest. The witness said that in cases of repledge the pledger should be punished and not the pawn-broker.

Regarding clause 22 (3), the witness stated that it would be practically impossible for the pawn-broker to seize the stolen articles and hand them over to the police, as in remote villages the police stations were situated at a distance of about 20 miles and the pawn-broker himself might be subjected to violence by the persons who attempted to pledge the stolen articles.

The witness urged that the power to cancel a licence should be vested in a Judicial authority and that the clause relating to arrest without warrant by a police officer should be deleted. He also added that there was no need for a licence in cases of winding up of business. Finally he wanted that the new Act must be brought into force only after repealing the old Act in all the areas as otherwise it would cause a lot of confusion.

(3) Sri T. R. S. Ramanatha Ayyar of the Coimbatore District Bankers' Association.—The witness was recalled and examined by the Committee.

The witness submitted that a proviso on the following lines should be added to the clause dealing with molestation of debtors:—

"Provided that a person who visits such house, building or place for the purpose only of making a demand for repayment of a loan or in pursuance of a prior engagement or arrangement or for the purpose of obtaining or communicating information shall not be deemed to molest."

He added that in the Bombay and Bengal Acts such a proviso was there. Proceeding further, he said that complaints of molestation should not be taken on file *suo motu* but should only be taken on file on the debtor furnishing security to the satisfaction of the Court.

Questioned by Raja Sri Muthiah Chettiar as to what was the rate of interest which non-professional money-lenders charged on promissory notes and on mortgages of house property and landed property, the witness replied that it ranged from 9 to 15 per cent. To another query, the witness replied that the rate of interest charged on clean loans was about 12 to 18 per cent. Answering further questions of Sri M. A. Muthiah Chettiar, the witness replied that they had no statistics with regard to non-professional money-lenders. In their memorandum to the Committee, they had suggested that 15 per cent might be charged on secured loans not exceeding Rs. 1,000 and that 12 per cent might be charged on secured loans exceeding Rs. 1,000. In the case of unsecured loans, 18 and 15 per cent might be charged respectively. Asked as to what would be the maximum rate of interest which the witness would suggest on loans involving pledge of jewels and other valuables, he replied that the rates suggested by the Madurai-Ramanathapuram Association were workable.

Sri V. S. R. M. Valliappa Chettiar brought to the notice of the Committee that in the old Act there was a provision that articles of the value of Rs. 10 and below which were pledged became the property

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of the pawn-broker if they were not redeemed within one year. There was no corresponding provision in the proposed legislation. Further as the price of the sovereign had increased considerably, the limit of Rs. 10 should be increased to Rs. 25.

(4) Sri M. A. ARUNACHALAM CHETTIAR OF THE TIRUCHIRAPPALLI ASSOCIATION.—The witness wanted that the provision relating to the submission of monthly accounts should be deleted.

(5) Sri SUBBARAJ OF THE SOUTH ARCOT MONEY-LENDERS' ASSOCIATION.—The witness said that he had no objection to the proposed legislation and to grant licences to the money-lenders. He however desired that the rate of interest to be charged by the money-lenders should not be controlled by the Government.

(13) *Sri H. H. K. M. Bhora, Organizer of the Marwadi Jain Annadhana Sala.*

The witness suggested the following for the consideration of the Committee:—

(1) The licence fee for a pawn-broker should be Rs. 50.

(2) Licences should be granted only to honest and desirable persons on production of a certificate of character from a Member of the Legislative Assembly or Council or from a Municipal Councillor.

(3) Pawn-brokers and money-lenders whose annual turnover was between Rs. 10,000 and Rs. 25,000 should furnish a security deposit of Rs. 1,000.

(4) The applicant for a licence should not be less than 21 years of age.

(5) Those who committed an offence for the first time should be let off with a warning by the Magistrate prescribed for the purpose. In the case of those who committed the offence for a second time, the security deposit should be forfeited to Government. If the offence was repeated for a third time, the licence should be cancelled.

Mr. Bhora represented that for loans up to Rs. 25 the rate of interest should be 3 pies per rupee per mensem and for over Rs. 25, the rate should be only one and half pies per rupee. He also urged that the pawn tickets should be issued in Tamil language containing all particulars of items pledged, and that the articles, jewels, etc., should be kept in the very shop of the pawn-broker in safe custody as otherwise it took at least a week's time to get back the article. He was of the view that repledge should not be allowed under any circumstances. He also pleaded that a suitable deposit amount should be obtained from those persons engaged in money-lending business.

(14) *Sri H. Sowbagmull Dharmachand of Madurantakam.*

The witness said that what all he had go to say had already been briefly indicated in the memorandum submitted by him. He specifically drew the attention of the Committee to the Pawn Brokers Act of 1943 wherein it was stated that a pledge for less than Rs. 10 became the absolute property of the pawn-broker if not redeemed within a specified period and said that such a provision was necessary as otherwise the pawn-broker would have to incur a loss of at least two rupees

towards auction charges. He had no objection to a time-limit of one and half years being granted for purposes of redemption of such articles.

(15) *Sri Kalioss Sait of the Erode Money-lenders Commission and Mundy Merchants' Association, Erode.*

The witness said that the proposed legislation purporting to regulate and control money-lending business in the State was more in the nature of a penal legislation than a curative or purificatory measure. He requested the Government to see that the legislation did not suppress the money-lenders but helped them at least to eke out their livelihood.

(16) *Sri S. C. Jumberlal Jain of Tambaram.*

The witness said that pawn-brokers were arrested by the police if they were not able to identify or produce the culprit who pledged the stolen property with them. He requested that they should not be arrested and held responsible for such things. He also submitted that pawn-brokers must be prevented statutorily from giving more than fifty per cent of the prevailing market value of the articles pledged as it would be very difficult to realize the interest portion later on in some cases.

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THE MADRAS CULTIVATING TENANTS (PAYMENT OF FAIR RENT) BILL, 1956 (L.A. BILL No. 4 OF 1956).

Composition of the Joint Select Committee.

CHAIRMAN :

1 The Hon. Sri M. A. MANICKAVELU.

MEMBERS :

2 ARUMUGAM, Sri R. S.
3 BHAKTAVATSALAM, The Hon. Sri M.
4 DASARATHAN, Sri D.
5 DHARMALINGAM, Sri M.
6 GAJAPATHY NAYAGAR, Sri A.
7 JOHN, Dr. V. K.
8 KANDASAMI, Sri C.
9 KANDASWAMI GOUNDER, Sri S.
10 KARUTHIRUMAN, Sri P. G.
11 KOLEKEBAIL, Sri S. S.
12 MANICKASUNDARAM, Sri M.
13 MANJUBHASHINI, Srimathi S.
14 MOGRAL, Sri M. S.
15 NAGARAJAN, Sri V. R.
16 NARSAPAYA, Sri S.
17 NARAYANASWAMI NAIDU, Sri G.
18 PANCHAKSHARAM, Sri S.
19 PURUSHOTHAM, Sri T.
20 RAJACHIDAMBARAM, Sri P. B. K.
21 RAJARAM, Sri K.
22 RAMALINGAM, Sri S.
23 SAMBASIVAM, Sri A.
24 SUBRAMANIAM, The Hon. Sri C.
25 SWAYAMPRAKASAM, Sri S.
26 VAIKUNTAM, Sri A.

ASSOCIATE MEMBERS :

27 BALASUBRAMANYA AYYAR, Sri K.
28 ETHIRAJALU, Sri M.
29 MOHAMED RAZA KHAN, Sri.

SECRETARIAT :

1 Sri T. HANUMANTHAPPA, B.A. (Hons.), B.L.,
Secretary to the State Legislature.

2 Sri G. M. ALAGARSWAMY, B.A., B.L.,
Assistant Secretary to the State Legislature.

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REPORT OF THE JOINT SELECT COMMITTEE ON THE MADRAS CULTIVATING TENANTS (PAYMENT OF FAIR RENT) BILL, 1956 (L.A. BILL No. 4 OF 1956).

To

THE HONOURABLE THE LEGISLATIVE ASSEMBLY, MADRAS.

The Joint Select Committee appointed to consider the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956 (L.A. Bill No. 4 of 1956), has the honour to make the following report.

2. The Bill was published in English in Part IV-A of the *Fort St. George Gazette*, dated the 21st December 1955, and in the other regional languages except Hindi in the *Fort St. George Gazette*, dated the 28th December 1955.

3. The Joint Select Committee was appointed by resolutions of the Assembly, dated 28th January 1956 and of the Council, dated 31st January 1956.

4. The Joint Select Committee met in the Committee Room, Legislators' Hostel (Old), Government Estate, Madras, on the 27th February 1956, 20th and 21st April 1956; in the Council Hall, Ootacamund, on the 21st, 22nd and 23rd May 1956 and again in the Committee Room, Legislators' Hostel (Old), Government Estate, Madras, on the 17th July 1956.

5. At its first meeting on the 27th February 1956 the Joint Select Committee decided to receive representations from persons interested in the Bill. Accordingly, at its meetings on the 20th and 21st April 1956, it heard oral representations of associations of landowners, the officers of the Hindu Religious and Charitable Endowments Department and other individuals connected with agriculture. The Joint Select Committee also scrutinized all the memoranda received.

The majority of witnesses were representatives of the landowners and their main contentions were that the proportion of sharing of the gross produce, viz., 60 : 40 as between the landowner and the tenant as laid down in the Tanjore Tenants and Pannaiyals' Protection Act, 1952, should be adopted in this Bill, that the landowner should also get a share of the catch crops and straw and that the definition of 'cultivating tenant' should be so amended as not to permit the growth of a new set of intermediaries. The Committee has considered these representations and the extent to which they have been met are indicated in the succeeding paragraphs against the relevant clauses.

6. The Joint Select Committee has subjected the clauses to a careful scrutiny and as a result of such scrutiny has made various important changes in them.

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Clause 1.

Sub-clause (3) of this clause deals with giving retrospective effect to the Act from the 1st April 1956. To minimize certain practical difficulties during the transitional period in respect of the sharing of crops already harvested the Committee has amended this sub-clause so as to limit the retrospective effect to the 1st July 1956.

Clause 2.

Sub-clause (1) of this clause deals with the definition of certain terms in the Bill and some of them have been amended, some omitted and a new one added in accordance with the decisions reached by the Committee on the operative clauses of the Bill. By a majority decision the Committee accepted the principle that all crops should be shared without any distinction as between the principal crop and the catch crop. The definitions of 'catch crop' and 'principal crop', items (*b*) and (*i*) respectively of sub-clause (1) have therefore been deleted.

The definition of item (*c*) 'cultivating tenant', has also been amended so as to avoid any scope for the intermediaries getting the benefits of the Act.

A new definition for 'garden land' has also been included in accordance with the decision to give the tenant a greater share than 60 per cent, viz., 66-2/3 per cent in such lands.

The Committee is of opinion that it is unnecessary to include any reference to the Rent Court in the definition of 'normal gross produce' as only in cases of dispute the question of deciding the fair rent is taken to the Rent Court. The definition has been amended accordingly.

Sub-clause (2) has also been amended consequent on the decision to abolish all distinction as between double crop wet land and single crop wet land and the decision regarding catch crops. It has also been provided that any question regarding the classification of the land shall be decided on the actual facts on the date with reference to which the question arises.

Clause 3.

This clause deals with the rights and liabilities of cultivating tenant and landowner. The Committee has made a consequential amendment to sub-clause (1) to bring it in conformity with sub-clause (3) of clause 1. Consequent on the changes made by the Committee in clause 4 in regard to the different rates of fair rent payable for different classes of land, sub-clause (2) (*a*) and sub-clause (3) have been deleted in view of the decision of the Committee to give a share in all the crops to the landowner.

Sub-clause (2) (*b*) has been amended and numbered as sub-clause (2) giving the landowner the option in cases of irregular cultivation either to take his share of the produce and pay the

proportionate excess water cess or to allow the tenant to take the entire produce of the irregular cultivation and pay the excess water cess while paying the landowner his share of the produce to which he would be entitled but for the irregular cultivation.

Two new sub-clauses (6) and (7) as renumbered in the Bill as amended by the Joint Select Committee, have been added apportioning as in the Tanjore Tenants' and Pannaiyals' Protection Act, 1952, the responsibility for silt clearance and improvements to channels other than field channels on the landowners and on the tenants in regard to field channels and also making the landowner liable to bear all capital expenditure necessary to maintain the land and wells in a proper state of repair.

A new Explanation II has been added to sub-clause (8) as renumbered—old sub-clause (7)—as the Committee considers that where a cultivating tenant pays a contract rent lower than the fair rent payable under the Act the landowner shall not be debarred from receiving any service by the cultivating tenant or the free use of his cattle so that religious institutions like temples, etc., which may lease out lands at rents lesser than the fair rent payable under this Act may be benefited.

In view of the special circumstances obtaining in South Kanara, and as the cultivating tenant will hereafter pay only the fair rent payable under the Act, the Committee feels that the intermediary tenant, namely, the mulgenidar, who has taken the land on a permanent lease for a long term should also be given a proportionate reduction in the rent payable by him to the landowner. Provision has been made accordingly by adding a new sub-clause (9).

Another new sub-clause (10) as renumbered, has been added as the Committee is of the view that manuring the lands should be made the responsibility of the cultivating tenant and that pending the constitution of Tenants' Co-operative Societies for Better Farming in all villages, a landowner should be enabled to advance such loan as may be necessary for manuring his lands and that such loan shall be a first charge on the cultivating tenant's share of the produce.

Clause 4.

This clause deals with the question of what constitutes fair rent. The Committee is of the opinion that, as the Planning Commission had recommended only a 20 per cent share for the landowner, it would not be proper to allow any landowner to get as his share more than 40 per cent of the gross produce. The Committee also feels that it is not fair to prescribe a uniform share of 40 and 60 per cent of the gross produce as between landowner and tenant for all classes of lands and after taking into consideration all the relevant factors the Committee has broadly classified the lands into wet land, wet lands where irrigation is supplemented by lifting water, garden land and dry land and has laid

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down that the share of the landowner shall be 40 per cent, 35 per cent, 33-1/3 per cent and 25 per cent, respectively, of the gross produce in respect of these categories of land irrespective of the number of crops raised. Sub-clause (1) of this clause has accordingly been recast and consequently Explanation I, that any catch crop grown on any land shall not be taken into account in determining fair rent has been deleted. Explanation II has also been amended so as to give the landowner in every harvest one-fifth of the straw or stalk of the crop as the Committee feels that it is but fair that the small ryots who own cattle should receive a share of the straw or stalk.

Sub-clause (2) has also been revised as the Committee considers that the share of the landowner should be raised to 40 per cent of the gross produce in the case of wet land where normally irrigation is supplemented by lifting water and garden land but where the water is lifted by pumpsets installed by the landowner at his expense. It has also been provided that the maintenance charges of the pumpset shall be borne by the cultivating tenant while charges for repairs should be borne by the landowner.

Sub-clause (3) has been amended by adding the words 'during the contract period' at the end as the Committee desires that it should be made explicit that the protection afforded by this sub-clause would apply only to existing contracts.

Clause 5.

This clause deals with the payment of fair rent in cash or in kind. Sub-clause (1) has been so amended as to give the tenant the option of paying the fair rent either in cash or in kind or partly in cash and partly in kind where no contract as regards the mode of payment exists as such. Two provisos have also been added to make it clear that in regard to existing tenancies the option shall be exercised within three months of the date of publication of this Act in the official gazette and in other cases within three months of the tenancy agreement coming into effect and if the tenant fails to exercise his option the landowner may by notice in writing given to the cultivating tenant specify the mode of payment. The option once exercised or the mode of payment once specified is not to be changed except by mutual consent.

Sub-clause (2) regarding the landowner remitting the whole or a proportionate part of the fair rent due to him because of adverse seasonal conditions has been amended so that an application for admission for remission of fair rent would lie only when adverse seasonal conditions have resulted in the reduction of the gross produce by more than 25 per cent. The Committee also feels that before such an application to a Rent Court is entertained or enquired into, the Rent Court may impose such conditions as it considers reasonable taking into account all the circumstances of the case including conditions as to deposit of admitted rent. A proviso has been added accordingly.

Clause 6.

The Committee feels that provision should be made for a tenant to apply to the Rent Court during the period of currency of five years of the fair rent as determined by this Act for a reduction of the fair rent if the land has been wholly or partially rendered unfit for cultivation due to causes beyond his control and similarly, for a land-owner to apply for enhancing the fair rent if the produce has increased on account of any improvements made by the land-owner. Two provisos have been added to carry out the above objectives.

Clause 7.

After considering the various difficulties in regard to the sharing of all kinds of crops at the threshing floor, the Committee feels that with regard to sharing of grains a provisions similar to that of paragraph 3 of sub-section (1) of section 8 of the Tanjore Tenants and Pannaiyals' Protection Act, 1952, may be adopted and as regards other crops it may be left without making any provision so that the land-owner and cultivating tenant may share them in the most convenient manner agreeable to them. The clause has been amended accordingly.

Clause 8.

The Committee agrees with the suggestion that the Rent Tribunal should be presided over by an officer not below the rank of the District Munsif instead of the Revenue Divisional Officer and has amended the clause accordingly.

Clause 9.

This clause has been amended so as to enable either party to apply to the Rent Court for fixation of fair rent, notwithstanding any decree or order of a Civil Court which has not taken into consideration of the provisions of this Act.

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Clause 10.

As District Munsifs are to preside over Rent Tribunals the Committee considers that an application to the District Court for revision of the orders of the Rent Tribunal is unnecessary and has accordingly deleted this clause, and re-numbered clauses 11, 12 and 13 as 10, 11 and 12 respectively.

New clause 13.

The Committee considers that the benefits of the Act should be restricted to the real tillers and is of the view that a ceiling of 6-2/3 acres of wet land on the extent of land a tenant can cultivate, either as owner or as tenant or as a tenant-plus-owner should be prescribed and also that cultivating tenants whose total holdings as tenants or owner or in both capacities do not exceed 10 acres of wet land should be enabled to surrender only at the end of the agricultural year the excess over 6-2/3 acres to get the benefits

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of this Act. A new clause has accordingly been added prescribing also the equivalent dry or garden land of these limits of 6-2/3 acres and 10 acres of wet land.

Clause 14.

This clause deals with the exemptions from the provisions of this Act and exempts land on which crops which do not give any yield for a continuous period of two years or more are grown and also exempts contracts merely for collection or harvesting of the produce of any land. The Committee has carefully considered the suggestions made for exempting land in which sugarcane and plantains are cultivated and whose cultivation season is not in any way connected with the agricultural year and has decided to exempt such land only during the period when such crops are on the land. The clause has therefore been amended accordingly.

Clause 15.

The words "relating to the payment of fair rent" occurring in this clause was deleted as the Committee is of the view that a separate Bill containing the provisions relating to Pannayals in the Tanjore Tenants and Pannayals' Protection Act, 1952, may be brought forward.

Clause 16.

A new sub-clause (3) has been substituted as the Committee considers that the procedure in regard to laying of the rules framed under the Act on the table of the House should be uniform as recommended by the Committee on Subordinate Legislation in its first report.

7. All the clauses have been re-numbered and all the changes made by the Joint Select Committee are indicated in the annexed Bill.

8. The Committee considers that the changes made by it are of such important character as to require the republication of the Bill.

9. Some of the members have given dissenting minutes which are appended.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
25th *July* 1956.

M. A. MANICKAVELU,
Chairman.

[10th August 1956

ANNEXURE.

[NOTE.—**The changes made are sidelined or underlined and the portions omitted are indicated by dots**]

L.A. BILL No. 4 OF 1956.

A Bill to provide for the payment of fair rent by cultivating tenants in certain areas in the State of Madras.

WHEREAS it is expedient to provide for the payment of fair rent by cultivating tenants in certain areas in the State of Madras: BE it enacted in the Seventh Year of the Republic of India as follows:—

1. *Short title, extent and commencement.*—(1) This Act may be called the Madras Cultivating Tenants (Payment of Fair Rent) Act, 1956.

(2) It extends to the whole of the State of Madras other than the areas to which the Malabar Tenancy Act, 1929 (Madras Act XIV of 1930), extends.

(3) It shall be deemed to have come into force on the 1st day of July 1956.

2. *Interpretation.*—(1) In this Act, unless the context otherwise requires—

(*a*) "agricultural year" means the year commencing on the 1st day of April, or, in respect of the whole or any part of any district on such other date as the Collector of the district may specify in that behalf by notification in the District Gazette;

.

(*b*) "cultivating tenant" means a person who contributes his own physical labour or that of the members of his family in the cultivation of any land belonging to another, under a tenancy agreement, express or implied, and includes any such person who continues in possession of the land after the determination of the tenancy agreement or the heirs of such person but shall not include a mere intermediary or his heirs;

(*c*) "fair rent" means the rent payable under this Act.

(*d*) "garden land" means dry land irrigated by lifting water from wells or other sources;

(*e*) "Government" means the State Government;

(*f*) "landowner" means the owner of the land let for cultivation by a cultivating tenant and includes the heirs, assignees, legal representatives of such owner, or person deriving rights through him;

(*g*) "normal gross produce" means the produce which would be obtained, if the rainfall and the seasons were of a normal character . . . on the class of land to which it belongs and in the same situation and possessing the same advantages; . . .

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(h) " paid " includes " delivered ";

. . . .

(i) " Rent Court " and " Rent Tribunal " means in relation to any area the Rent Court and the Rent Tribunal respectively constituted under this Act for such area.

(2) If any question arises whether any land is . . . wet, or dry or garden land, the question shall be decided. . . on the actual facts on the date with reference to which the question arises.

3. *Rights and liabilities of cultivating tenant and landowner.*—(1) With effect from the . . . 1st day of July 1956, every cultivating tenant shall be bound to pay to the landowner and every landowner shall be entitled to collect from the cultivating tenant fair rent . . . payable under this Act.

(2) . . . Where the irrigation of any land is irregular the landowner may, at his option, either take his share of the produce and bear the excess water-cess in respect of the irregular irrigation proportionate to his share or take the share of the produce which would have been obtained but for the irregular irrigation in which case the entire excess water-cess shall be borne by the cultivating tenant.

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(3) Notwithstanding any neglect or failure on the part of the cultivating tenant to raise any crop, the landowner shall be entitled to collect fair rent.

(4) Subject to the proviso in sub-section (2) of section 4, all the cultivation expenses inclusive of cost of seed, ploughing, manuring, harvesting and threshing shall be borne by the cultivating tenant.

(5) The landowner shall be responsible for the payment of all dues payable to the Government and local authorities in respect of the land subject to his right to recover from the cultivating tenant the public charges which are expressly made payable by the cultivating tenant by this Act.

(6) The liability for silt clearance and improvements shall rest on the landowner in the case of channels other than field channels and on the cultivating tenant in the case of field channels.

(7) The landowner shall bear all capital expenditure necessary to maintain the land and wells in a state of proper repair.

(8) No landowner shall, after the commencement of this Act, claim . . . or stipulate for—

(i) payment of any amount by the cultivating tenant in excess of the fair rent or in excess of the public charges which are expressly made payable by the cultivating tenant by this Act;

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(ii) the delivery by the cultivating tenant of any article or thing in addition to fair rent; or

(iii) any service by the cultivating tenant or the free use of his cattle.

Explanation I.—Nothing contained in this section shall affect the right of the landowner to claim from the cultivating tenant compensation for damages to the land or to anything that stood on the land at the time of lease.

Explanation II.—Where a cultivating tenant pays a contract rent lower than the fair rent payable under this Act clause (iii) of sub-section (8) shall not apply.

(9) Any landowner who is a mulgenidar, and the rent receivable by whom from his cultivating tenant suffers a reduction as a result of the provisions of this Act shall be entitled to have the rent payable by him to his mulgar reduced in proportion to the reduction in the rent receivable by him from his cultivating tenant.

(10) A landowner may advance to his cultivating tenant who is not a member of any co-operative society for better farming such loan as may be necessary for manuring his land. The loan so advanced shall be a first charge on the share of the produce to which the cultivating tenant is entitled under this Act.

4. *What is fair rent.*—(1) Subject to the provisions of sub-section (2), fair rent shall be—

(i) in the case of wet land, 40 per cent of the normal gross produce or its value in money;

(ii) in the case of wet land where the irrigation is supplemented by lifting water, 35 per cent of the normal gross produce or its value in money;

(iii) in the case of garden land, $33\frac{1}{3}$ per cent of the normal gross produce or its value in money;

(iv) in the case of dry land, 25 per cent of the normal gross produce or its value in money;

Explanation.—In every harvest the landowner shall be entitled to one-fifth of the straw or stalk of all the crops.

(2) In the case of lands in items (ii) and (iii) of sub-section (1) in which water is lifted by pumpsets installed at the cost of the landowner the fair rent specified in sub-section (1) shall be increased to 40 per cent:

Provided that the cultivating tenant shall bear all the maintenance charges and the landowner shall bear the charges for repairing the pumpsets. The installation of a pumpset shall be at the option of the landowner.

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(3) Where the contract of tenancy provides for payment of a rent lower than the fair rent payable under the above provisions, the contract rent alone shall be payable during the contract period.

5. *Fair rent may be in cash or in kind.*—(1) The fair rent in respect of any land may be paid either in cash or in kind or partly in cash and partly in kind, in accordance with the terms of the contract between the landowner and the cultivating tenant; in the absence of such a contract, the fair rent may be paid . . . at the option of the cultivating tenant in any one of the above ways :

Provided that the option shall be exercised in the case of a tenancy in force on the date on which this Act is first published in the *Fort St. George Gazette*, within three months from that date and in any other case within three months from the date on which the tenancy agreement takes effect; and if the cultivating tenant does not exercise the option, within the period aforesaid, the landowner shall, by notice in writing given to the cultivating tenant, specify the way in which the fair rent shall be paid by the cultivating tenant :

Provided further that the option once exercised or the way once specified shall not be changed except by mutual agreement.

(2) Whenever . . . adverse seasonal conditions result in the reduction of the gross produce from any particular crop to the extent of more than 25 per cent, the landowner shall be bound to remit a proportionate part of the fair rent due to him from his cultivating tenant in respect of that land for that period :

Provided that before admitting or inquiring into an application made by a cultivating tenant for remission of fair rent under this section, the Rent Court may impose such conditions as it considers reasonable in the circumstances of the case including conditions as to deposit of admitted rent.

6. *Alteration or revision of fair rent.*—Where in respect of any land fair rent has been determined under this Act, it shall continue in force for five years . . . :

Provided that the Rent Court may, on an application made by the cultivating tenant, reduce the fair rent if it is satisfied that on account of deterioration of the land by floods or other causes beyond the control of the cultivating tenant, the land has been wholly or partially rendered unfit for the purposes of cultivation :

Provided further that the Rent Court may, on an application made by the landowner, enhance the fair rent if it is satisfied that on account of any improvements made in the land by or at the expense of the landowner, the produce of the land has increased.

7. *Sharing of produce.*—Where the produce . . . to be shared is grain . . . the sharing shall be done at the usual threshing floor; and . . no portion of the produce shall be removed therefrom at such time or in such manner as to prevent the due division thereof at the proper time.

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8. *Constitution of Rent Courts and Rent Tribunals.*—(1) The Government may, by notification, constitute Rent Courts and Rent Tribunals for the purposes of this Act with jurisdiction over such areas as may be specified in the notification.

(2) Every Rent Court shall be presided over by an officer not below the rank of Tahsildar and every Rent Tribunal shall be presided over by an officer not below the rank of . . . District Munsif.

9. *Application to Rent Courts and Appeals to Rent Tribunals.*—(1) Notwithstanding any agreement between a landowner and the cultivating tenant, or any decree or order of a Court, either party may apply to the Rent Court for fixation of fair rent or for deciding any dispute arising under this Act.

(2) From every decision of a Rent Court, an appeal shall, within such time as may be prescribed, lie to the Rent Tribunal whose decision shall . . . be final.

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10. *Costs.*—The costs of and incident to all proceedings before the authorities referred to in sections 8 and 9 shall be in the discretion of the respective authority.

11. *Collector to publish list of prices.*—(1) The Collector of the district shall publish in the months of January, April, July and October every year in the District Gazette the average market price during the immediately preceding three months at the headquarters of each taluk of the main crops of the district.

(2) Where, for the payment of fair rent by a cultivating tenant to whom the provisions of this Act apply, the cash value of any crop has to be fixed, such value shall be fixed—

(*a*) in the case of any of the crops referred to in sub-section (1), the market price at the taluk headquarters last published under sub-section (1) before the date when such fair rent became payable;

(*b*) in the case of any other crop as may be agreed upon between the landowner and the cultivating tenant and in the case of disagreement, as may be deemed fair and reasonable by the Rent Court.

12 *Act to override contract and other laws, etc.*—The provisions of this Act shall have effect notwithstanding anything to the contrary contained in any pre-existing law, custom, usage, agreement or decree or order of a Court.

13. *Surrender of land in excess of certain extent.*—(1) The provisions of this Act shall not apply to any cultivating tenant who owns, or who cultivates either as tenant or as owner or as both, an extent of land in excess of one veli (6-2/3 acres) of wet land.

(2) Any cultivating tenant who owns, or who cultivates either as tenant or as owner or as both, an extent of land exceeding

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that specified in sub-section (1) but not exceeding 10 acres of wet land may, by notice in writing addressed to the landowner, relinquish at the end of the agricultural year ending in 1957 the tenancy, in respect of such portion of the land aforesaid, as may be necessary to entitle him to all the benefits of a cultivating tenant under this Act. Such cultivating tenant shall be entitled to all the benefits of this Act till the end of the agricultural year ending in 1957 and shall thereafter be entitled to all the rights of a cultivating tenant under this Act only on such relinquishment.

(3) For the purpose of computing the land owned or cultivated by a person all the lands owned or cultivated by him whether, wet, dry or garden shall be taken into account, and 3 acres of dry land or $1\frac{1}{2}$ acres of garden land shall be taken as equivalent to one acre of wet land.

14. *Exemption.*—Nothing in this Act shall apply to any land . . . during the period when such land is used for raising as main crop, sugarcane, plantain or betel vines or any crop which does not give any yield for a continuous period of two years or more from the time of cultivation or to any contract merely for collection or harvesting of the produce of any kind.

15. *Act to override Madras Act XIV of* 1952.—If any provision . . . contained in the Tanjore Tenants and Pannaiyal Protection Act, 1952 (Madras Act XIV of 1952), is repugnant to any provision contained in this Act, the latter provision shall prevail and the former provision shall, to the extent of the repugnancy, be of no effect.

16. *Power to make rules.*—(1) The Government may, by notification, make rules to carry out the purposes of this Act.

(2) Without prejudice to the generality of the foregoing power, such rules may provide for—

(*a*) the procedure to be followed by Rent Courts and Rent Tribunals;

(*b*) the matters to be taken into account in determining normal gross produce;

(*c*) the fees to be paid in respect of applications, and appeals . . . under this Act;

(*d*) the time within which appeals . . . may be presented under this Act;

(*e*) the notification of prices of agricultural or horticultural produce for the purpose of fixing the cash value of the fair rent.

(3) All rules made and all notifications issued under this Act shall, as soon as possible after they are made, be placed on the table of both the Houses of the Legislature and shall be subject to such modifications by way of amendments or repeal as the Legislative

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Assembly may make within fourteen days on which the House actually sits either in the same session or in more than one session.

17. *Power to remove difficulties.*—If any difficulty arises in giving effect to the provisions of this Act, the Government may, as occasion may require, by order, do anything which appears to them necessary for the purpose of removing the difficulty. A copy of every order passed under this section shall be laid before each House of the Legislature.

GOVERNMENT ESTATE,
MADRAS-2,
25th *July* 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

APPENDIX.

DISSENTING MINUTES.

I

The provision in clause 16, sub-clause (3) enables the Legislative Assembly to make modifications in the rules and notifications issued under the Act by way of amendments or repeal. Similar provision should be there in the case of the Legislative Council also. The Constitution vests equal legislative powers in both Houses. This aspect was pressed on previous occasions in the Legislative Council and the then Chief Minister, the Hon. Sri C. Rajagopalachari, assured us that no distinction will be made between the two Houses especially in such matters of legislative control over rule making powers of the Government. The Madras Cultivating Tenants Protection Act, 1955, provides that all rules made under the Act shall be laid before both Houses of the State Legislature and shall be subject to such modifications whether by way of repeal or amendment as those may make. Similar provision should be made in the present case and I appeal to Government to have clause 16, sub-clause (3) amended accordingly.

MADRAS,
19*th July* 1956.

T. PURUSHOTHAMA MUDALIAR.

II

Subject to the following minute of dissent, I agree to the provisions of the Bill. The conception and preparation of the Bill do not in any way help the actual tiller of the soil. Sub-clause (10) of clause 3 enables the land-owner to advance money to the tenant for manuring purposes. This loan is a first charge on the produce. The maximum amount that can be advanced has to be fixed. Otherwise, any other transaction is likely to be included so as to enable the land-owner to claim more.

The proviso to sub-clause (1) of clause 5, fixes three months time for the tenant to exercise the option to pay the fair rent in cash or kind. Similar time-limit has to be fixed for the land-owner also so as to enable the tenant to know his position.

In the proviso to sub-clause (2) of clause 5, the wording is not clear enough to prevent the authority from ordering the deposit of the admitted amount before the harvest is over.

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In clause 7, it is better to fix a time-limit to keep the produce on the threshing floor. If a land-owner on some pretext or other refuses to share the produce the burden to safeguard the produce at the threshing floor is greater for the tenant and this must be avoided.

Clause 13 provides a ceiling for the tenant. Under the Tanjore Tenants and Pannaiyal Protection Act, 1952, as well as the Cultivating Tenants Protection Act, 1955, persons owning more lands have been recognized as tenants. After the introduction of the present Act, what is to happen to those lands which are to be surrendered. It was promised at the Joint Select Committee stage to bring a Bill simultaneously to deal with these surplus lands. Such a Bill is not forthcoming. In the absence of such a Bill confusion will arise leading to unrest.

Absence of a provision to enable small land-owners to resume lands for personal cultivation is deplorable.

TANJORE, S. SWAYAMPRAKASAM.
22nd July 1956.

III

We both disagree on the following points as regards the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956, as amended by the Joint Select Committee:—

Any land reform legislation should be comprehensive including all aspects of the problem. But the Government, in the name of introducing legislation stage by stage, is complicating the issue against the interest of the tenants in whose interests the legislative measure is said to be undertaken. Throughout the deliberations it has been incessantly told from the Government side that this Bill is intended only to fix up a fair rent and no other issue should be mingled even if it has got a bearing on the problem of fixing up a fair rent. We strongly feel that problems like fair rent, tenancy, and fixation of ceiling for personal cultivation at least, form part and parcel of the same problem and affects one another in a way. When the tenant is not guaranteed a piece of land for cultivation there is no meaning for fair rent. Unless there is guarantee of permanent tenancy, fair rent fixation is not going to help him in any way. The Government refuses to realize these vital factors and we fear that even the small benefits envisaged through this enactment to the tenants will not reach them practically because of the piecemeal approach of the Government to this problem. We completely disagree with the Government as regards the approach to the problem of land reform.

In this Bill, fair rent has been fixed as 40 per cent of the normal gross produce for wet lands and no change was allowed. Leaving alone the Land Reform Panel's recommendations, even the final directives of the Planning Commission that 25 per cent of the gross produce should be the maximum rent was not adhered to. We are of the opinion still that 25 per cent of the gross produce should be the maximum rent for wet lands as an interim measure which alone will give a substantial relief to the tenants.

Deletion of the catch crop clause and thereby making the tenant to pay 40 per cent of the gross produce of the catch crop also, is a grave injustice done to the cultivating tenants and we strongly oppose this retrograde step of the Government.

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In the original Bill as introduced in the Assembly the entire straw and stalk was assigned to the tenants side and now it has been amended that 20 per cent should go to the land-owner. This also is a retrograde step and we totally disagree. The above said retrograde steps clearly show that the Government is sympathising more with the cause of the land-owners rather than the cultivating tenants. Somehow or other they wanted to enhance the 40 per cent rent to the land-owner and they have done it in this way indirectly.

A new clause, that the provisions of this Act, shall not apply to any cultivating tenant who owns or cultivates either as tenant or as owner or as both to the extent of land in excess of 6⅔ acres of wet land, is really a boon to the landowners. Through this clause the land-owners are going to resume back thousands of acres of land for personal cultivation at one stroke. We can understand and agree to fixing up a ceiling for personal cultivation if provision is simultaneously made to distribute the excess lands surrendered under this process to the landless tenants. But we cannot be a party to this game of providing opportunity legally to the land-owners to get back their lands for personal cultivation. This we consider as a very reactionary measure intended to pacify the agitating land-owners. So we oppose this new clause strongly.

MANALI, C. KANDASAMY.
22*nd July* 1956. S. RAMALINGAM.

IV

I have to disapprove the fundamental basis upon which the Bill has proceeded and also the reduced share given to the landowner.

The ryotwari system has been in vogue in our State from time immemorial. Sir Thomas Munroe, when he was Governor of Madras appreciated the advantages of the system and wrote a strong despatch to the East India Company at London to adopt and continue the system under British Rule. The fundamental basis of that system is that the land holdings are owned absolutely by proprietors called ryots and the Government is the overlord and is entitled to a land revenue, the maximum of which in theory is half of the net income from the holding. The land was distributed in olden days among a large number of ryots consisting of small holdings. The lands were under the personal cultivation of the ryots with the assistance of farm labourers called 'pannaiyals' in the Tanjore district. Up till fifty years ago, most of the lands were under the personal cultivation and supervision of the ryots. Only during the past fifty years, there has been the introduction of tenants for cultivation and also waramdars were given a share of the produce. The ryot is the absolute owner of the land and is entitled to sell his lands or purchase additional lands. He is given a patta by the Government. There was a periodic revision of the assessment every thirty years according to the 'tharam' classification of the land.

The present Bill, unfortunately, proceeds upon the footing that the ryot is merely a landlord entitled to receive rent from the tenant and hence most of the provisions are vitiated by this assumption. The Bill has not given the land-owner the right to determine the crops that have to be grown on the land. The Bill has not provided that the land-owner has got the right to resume personal cultivation, whenever he desires to do so. The Bill has not even given the landlord the right to determine whether he will receive the rent in kind or in cash.

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The Bill has proceeded upon the footing that the ryot is only a landlord who has contributed the land and the tenant contributes the labour and all the expenses for cultivation. Hence the Bill has reduced the customary share which the landlord was entitled to for the last so many centuries in our State to the bare minimum of 40 per cent of the normal gross produce. The Bill provides that the landlord is bound to pay the land revenue and other cesses and surcharge and this being in cash the equivalent in paddy will have to be set apart for the purpose of payment of land revenue and sold at the market price. If the market price is high, then, in the case of the most of the wet lands, the land revenue or kist will be about 10 per cent and the landlord's share would be reduced to 30 per cent. But, if the agricultural prices go down, then the land revenue may even go up to 15 per cent or 20 per cent. Then the landlord's share would be reduced to 20 per cent only. The only incidents of ownership that are left to the landowner are that he is bound to pay the land revenue to the Government and that he can sell the lands.

Moreover, the Bill has not made any provision that the landlord is entitled to determine whether to allow the lands for cultivation either by waramdars or by tenants on a fixed rent on lease. Numerous memoranda have been submitted to the Select Committee by representatives of Associations of ryotwari proprietors and also by individuals. Oral evidence has also been tendered by representatives of associations and by individuals. The memoranda and the oral evidence have been overwhelmingly to the effect that a forty per cent share for the ryotwari proprietor will be a gross injustice to him and in the case of small landowners, will be hardly sufficient for their livelihood. It will not even work out to a decent percentage calculated on the money value of the land which he owns.

During the sittings of the Select Committee at Ootacamund and at Madras, there was no discussion among the members about the effect of the oral evidence tendered by the land-owners. The members proceeded upon their own notions of land reform and upon their own ideologies to which they were committed already.

It may be pointed out that it is the first time in the present Bill that the landlord's share of forty per cent in the gross produce of the wet land was proposed for the ryotwari proprietor. Even the M. V. Subramaniam Committee, which was appointed by the Government, in its report, dated 1950, recommended 45 per cent share. Before that Committee's report, Mr. Raghavendra Rao, the Special Officer, recommended the landlord's share in wet lands as 55 per cent. The Tamil Nad Congress Land Reforms Committee recommended 50 per cent share in the gross produce of the wet lands. The Andhra Land Reforms Committee recently has recommended 50 per cent as the landlord's share in the gross produce in the case of wet lands with first class source of irrigation. In the present Bill, no differentiation has been made in the wet lands as regards first class source of irrigation and otherwise. A uniform share of 40 per cent has been fixed for the land-owner in the case of all wet lands. No doubt, the Joint Select Committee has made some changes and modifications which are better than the provisions in the original Bill. But, as regards the fundamental points, the Joint Select Committee has maintained the Bill in its original form and has also reduced the share of the landlord in the case of lands whose irrigation has been supplemented by the tenants baling water and in the case of garden lands and dry lands.

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Another serious defect in the Bill is that it has not given any exemption to small landowners owning up to one ' veli ' wet land or 20 acres of dry land unlike the Tanjore Tenants and Pannaiyals Protection Act, 1952. Moreover, it has been decided by the Joint Select Committee that the Bill should displace the Tanjore Tenants and Pannaiyals Protection Act, 1952, so far as tenants are concerned. That Act has been working for the last four years and the landowner's share is 60 per cent. This, as was pointed out by the landowners at that time, was a reduction in the original share. But the landowners acquiesced in it as a matter of compromise and the Act has been working for the last four years satisfactorily. Still, the Bill has reduced the share of the landowner in Tanjore from 60 per cent to 40 per cent and made other changes also which are injurious to the landowners. It is unnecessary to mention them all in detail here.

According to section 7, clause (*f*) of the Tanjore Tenants and Pannaiyals Protection Act, 1952, the landowners, may, if they so desire, terminate the tenancy by giving notice to the tenant in writing not less than twelve months before the expiry of the last month of the tenancy. Mention has already been made in public statements by Ministers that the tenancy period of five years may be extended. If that is so, the landowners are bound to suffer a great deal when their share is reduced suddenly to forty per cent. This is a great hardship to the landowners of Tanjore.

Under the circumstances, I regret, I cannot agree to the provisions of the Bill as passed by the majority of the Members of the Joint Select Committee.

MADRAS, K. BALASUBRAMANYA AYYAR.
24*th July* 1956.

V

The much talked of comprehensive agrarian legislation has been brought by this Government in the shape of this Bill, which is neither comprehensive nor fair to either of the parties. On the contrary I am of opinion that this Bill will spell disaster to the dumb, semi-starved tenants. Further it will not help the nation either in augmenting its Grow More Food Campaign or in rehabilitating the poor tiller of the soil. This Bill will only further embitter the relationship between the landlord and tenant, and will increase unjust evictions and litigations. This is what happened after the enactment of the South Kanara Tenants' Protection Act. The eviction suits in South Kanara doubled or trebled after the so-called Tenants' Protection Act, and the tenants are passing their lives in an atmosphere of perennial terrorisation.

The land problem cannot be solved by this kind of half-hearted measures. If you want to solve it and rehabilitate those who till and work on the land, we must give them fixity of tenure, if not make the tenants owner of those lands. It is no good saying that there are some inherent difficulties in bringing comprehensive land legislation. If we have got the mind to solve it, we can always do so. Other countries like Germany, Japan had solved it (I am not referring here to the Communistic States). Nothing is more absurd than to imagine that all the interests in the nation can be fitted in without injury to any. At every step some have to be sacrificed for others.

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That is what we have done on the eve of Independence (effect of partition of India). But the holders of power make every effort to confuse the issue and follow an ostrich-like policy in the matter of solving agrarian problem. Despite the recommendations of the various committees constituted by the Madras Government since 1936 to solve the agrarian problem, I am sorry to state here that nothing tangible has been done so far and this Bill does not touch even the fringe of that problem. Of course, I can write volumes on this subject, but I know that the Congress Government itself is not unaware of it (vide Election Manifesto of 1951):—

> "In India to-day, stress must inevitably be laid on the progress of the rural areas and the people who live there. Not only do they contain the vast majority of our population and are the basis of our economy, but they have suffered neglect in the past and this must be made good so that they might have full opportunities for economic and cultural advance and to live the good life which is our aim. The first and vital step has been or is being taken to free the land from the burden of old and out-of-date agrarian systems of tenure. The abolition of zamindari, jagirdari and the like must be rapidly completed. *Security of tenure and fair rents* should be assured to tenants and tillers of the soil.
>
> Increased agricultural production is absolutely essential for putting our national economy on a firm basis. Small and uneconomic holdings stand in the way of rapid advance in agricultural production. The line of advance should, therefore, be co-operative farming with the objective of making the whole or substantial part of a village, a unit of co-operative management.
>
> The conditions of agricultural labour should be improved, especially in the lower wage pockets. Opportunities for work and employment in small-scale and cottage industries should be afforded to them. They should be given preference in allotment of land in newly reclaimed areas, which should be worked on co-operative lines. Facilities should be given to them in regard to housing sites.
>
> The preservation of milch and draught cattle and upgrading of cattle breeds are important for increasing the supply of milk and improvement of agriculture. Increasing attention will have to be paid to this.
>
> The burden on the land of too many people subsisting on it has to be reduced by the diversion of part of this population to other vocations. Some of these can be absorbed in large industries, but in the main, scope for absorption will come through small-scale and cottage industries."

The Bill does not make any provision for reinstating tenants, who have been evicted after 1953. It is a matter of common knowledge that many tenants had been evicted unjustly by landlords, since 1953, i.e., after the promulgation of the Tanjore Tenants and Pannaiyal Protection Ordinance in 1952. I once again say here that South Kanara Tenants' Protection Act has not helped any tenant in getting back his holding. Hence, there must be some provision for reinstating those tenants, who have been evicted at least since 1953. Most of the tenants had been evicted on the allegation that they had failed to pay the rent. In most of the cases that allegation is false, but since the poor tenants were unable to prove the discharge plea, the

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Courts have ordered eviction without even giving time or permitting the arrears of rent to be paid in instalments. Hence, provision has to be made to pay the arrears of rent in easy instalments while making provision to reinstate the tenants.

The provisions for sharing the produce is also unjust and its application to South Kanara will create lot of complications. Sharing of the produce will not give any incentive to the tenant to grow more crop in the land. Further, this will bring unending trouble between the tenant and landlord. Hence I suggest to fix the rent once for all instead of allowing the landlord and tenant to fight quarterly, half-yearly and annually. Landlord's share should be reduced to 30 per cent of the normal gross produce or 25 per cent of the normal net produce or whichever is less.

Definitions of garden land and dry land have to be changed while applying those clauses to South Kanara district.

Explanation to sub-clause (iv) in clause 4, has to be deleted.

Similarly clause 7 has to be deleted, because it will cause great hardship to the tenants. It is better to give the tenant the right to pay the money value instead of a share in the grains.

I am of opinion that some changes have to be effected in this Bill, if it is meant to help the tenants and also to avoid unnecessary litigations. The only remedy that I can suggest is to make the tenant the owner of the land or at least to give him a fixity of tenure. This suggestion is based on the so-called "Socialistic Pattern of Society" and in conformity with our Constitution, which says "Equality, Liberty and Fraternity" Without these changes the Bill will not achieve the objective of solving the agrarian problem in certain areas in the State of Madras.

COONDAPUR, S. S. KOLKEBAIL.
21st *July* 1956.

VI

After carefully studying the measures of agrarian reform introduced in Germany in the beginning of the last century and the adoption of this measure in many other parts of the world, I have been for many years of the opinion that the tenancy problem which has been growing more and more acute in this and other parts of the country, can only be solved by making the cultivating tenant the owner of the land he cultivates by payment of the market value thereof by means of bonds redeemable within a long period of years, say, 30 to 40 years and carrying a fair rate of interest, say, 5 per cent. The market value of the land should be arrived at by capitalization of the nett profits which the landlord receives or ought to receive from the land. The tenant's interest in the land will be security for the bond and the payment of moneys due under the bond may be guaranteed by a co-operative society to whom the cultivating tenant will pay in addition to the interest on the bond and collection charges an annuity which will redeem the bond when invested at compound interest. Re. 1 invested every year at compound interest at 5 per cent will in 36 years bring Rs. 100. A small annuity collected from the cultivating tenant every year by the co-operative society which will invest it at compound interest, will find the amount necessary to redeem the bond at the end of the period fixed in the bond. The bond must

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be saleable in the market so that the landlord may, if he so chooses, cash the bond at any time he likes. Agriculture is a human problem. If a cultivating tenant is told that he will become the owner of the land within a period of years, say 35 years, if he makes certain payments every year, he will produce the largest output from the land and will not even wait for the full period to pay off the amount. Under a similar reform introduced in Germany, it was estimated that the land produced three times the output and the large majority of cultivating tenants paid off the full amount within a short period of ten years although the period for redemption was 47½ years. The landlord is not expropriated. He gets the market value of the land. The cultivating tenant becomes the owner of the land he cultivates by paying a small amount as annuity. What is lost between the landlord and tenant in collection agencies, etc., may be equal to the annuity and the tenant need not pay anything more than the fair rent fixed between the landlord and tenant. The landlord will have no collection agency as the co-operative society will pay the landlord the interest on the bond. This scheme will also create an independent peasantry cultivating its own land bringing self-respect to the cultivator and constituting the backbone of the nation. The primary object of an agrarian reform ought to be the production of the largest output from the land. The agrarian reform suggested in this minute will achieve this object. If the cultivating tenant wants financial help to improve the land, he can get it from the co-operative society which will have large funds on account of annuities paid by cultivating tenants for redemption of the bond. The suggested reform will confer benefits all round. There will be no question of landlord exploiting the tenant or the tenant expropriating the landlord.

I consider the present Bill is a half-hearted measure, opportunist in character and productive of more harm than good. In my opinion, this Bill will not solve the agrarian problem which is becoming more and more acute—a problem which exists in acute form in other States as well. Why should not our State give a lead to others? The principle underlying this agrarian reform in Germany whose object was to make the cultivating tenant the owner of the land produced wonderful results in Germany and other countries which adopted this measure of reform. I do not see why this principle should not be accepted in this country. I strongly feel that the peace, prosperity, contentment and welfare of the agricultural population will be promoted by the acceptance of the principle which I have explained above.

BANGALORE,
24*th July* 1956.

V. K. JOHN.

VII

I agree subject to the following:—

In clause 3 (10) of the Bill provision has been made for the landowner to advance such loan as may be necessary for manuring the land and recovering the same from the tenant's share. But this has not been made compulsory. It is an accepted fact that unless the lands are sufficiently manured, the production will go down. It is also a well-known fact that the economic condition of the majority of the tenants is such that the tenants could not be expected to save and keep a portion of their income for manuring and other cultivation charges for the coming year. Further, in the present set-up it is not easy for the tenants to raise any loan from any outside agency also.

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A pair of bulls and the tenant's physical labour alone will not complete the agricultural operations. Manure, good seeds and other incidental charges, such as transplanting, weeding, etc., will have to be met by the tenant. So, until such time the State Government provides necessary facilities for easy credit to all classes of tenants, necessary provision should be made in the bill making it compulsory on the part of the landowner to advance a sum of money not exceeding 10 per cent of the gross produce for manuring, seeds and other charges and the tenant reimbursing the same and making it a first charge on his share.

PERUVALANALLUR,
23rd July 1956.

P. B. K. RAJACHIDAMBARAM.

VIII

நியாயவார குத்தகை நிர்ணய மசோதா நிலச்சுவாந்தாருக்கும், பயிர் செய்வோருக்கும் பலன் அடைவதில் தரம், உழைப்புக்குத்தக்க பாகமும், உற்பத்தி பெருகும் என்ற அடிப்படையிலும் தக்கபடி அமையவில்லை.

நாட்டில் (1) சொந்த சாகுபடி, (2) வாரச் சாகுபடி, (3) குத்தகை என்று மூன்று வகைப் பயிர் செய்யும் முறைகள் நிலவுகின்றன.

(1) சொந்தச் சாகுபடி முறை.—தானே, தன் குடும்பமோ அல்லது கூலியாட்களைக் கொண்டோ சாகுபடி செய்து பலனடைவது.

(2) வார முறை.—இம்முறை நிலக்காரர், வாரக்காரர் இணைந்த பொறுப்புடன் பயிரிட்டு ஒவ்வொரு மகசூலிலும் ஆகும் கண்டு முதலில், தங்கள் தங்கள் விகிதாசாரப்படி பகிர்ந்து கொள்வது. நிலக்காரர் எரு, விதை, உரம் கொடுக்கும் பொறுப்புடன் கண்காணிப்பார். வாரக்காரர் சொந்த ஏர் கொண்டு உழுது, பண்படுத்தி, நாற்றுப்பாவி, நடவு, களை, தண்ணீர் பாய்ச்சும் பொறுப்பு ஆகியவற்றையும் ஏற்பர். பலனில் அறுவடைக் கூலி, காவல், பல சுதந்திரம் பொதுவில் கொடுத்தது போக, மீதியில் 20% முதல் 30% வரையில் தான்யத்திலும், வைக்கோலில் பாதியும் வாரக்காரருக்கு கொடுத்தது போக மீதியை நிலச்சுவான் அடைவர். இறவைப் பாசனத்தில் விதை, உரத்திலும் சமபொறுப்பு ஏற்று பலனிலும் சமபாகம் வாரதாரர் அடைவதும் உண்டு. பாசனத்திற்கு ஏற்றவாறு வாரம் அமைந்திருக்கும்.

(3) குத்தகை முறை.—குத்தகைதாரர், சகல மூட்டுவழி சிலவுகளும் பொறுப்பு என்று, ஒப்பந்தப்படி தான்யமோ, ரொக்கமோ நிலச்சுவானுக்கு கொடுத்து கண்டு முதல், லாப நஷ்ட பொறுப்பு ஏற்று பலன் அடைவார். காணிக்கு இரண்டு கட்டு வைக்கோல் கொடுப்பதும் உண்டு.

இம்மசோதாவில் கண்ட விதிகளின்படி வாரம், குத்தகை என்ற இரண்டு வெவ்வேறு முறைகளும் இணைகிறது. ஆதலால் இம்மசோதா குத்தகை, வாரம் முறைகளிலுள்ள முரண்பட்ட விதிகளோடு, நிலச்சுவாந்தார், சாகுபடியாளர் உறவு பாதிக்கச் செய்யும். அபிவிருத்திக்கு வகையில்லை.

பெரும்பாலும் சாகுபடி செய்ய ஏழை விவசாயிகளுக்கு பொருள் வசதி தேவை. சாகுபடியாளருக்கு தருணத்தில் நல்ல விதை, உரம் கிடைக்கக் கடன் வசதிக்கு ஏற்றவாறு உத்திரவாதம் அளிக்கப்படாததனால் வருவாய் குறைந்து நஷ்டம் ஏற்படும். நடுத்தர வர்க்க விவசாயிகள் மிகவும் பாதிக்கப் படுவார்கள்.

நிலத்திற்கு எரு, உரம் இடாமல் சாகுபடி செய்வதால் உற்பத்தி குறைந்து, தேசீய பொருளாதாரம் பாதிக்கப்படும் என்பதை கவனத்தில் கொண்டு இம்மசோதா அமையவில்லை.

ரெங்கநாதபுரம்,
1956-ம் ௵ ஜூலை ௴ 23௳.

எம். மாணிக்கசுந்தரம்.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2.
25th July 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

10th August 1956]

PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE MADRAS CULTIVATING TENANTS (PAYMENT OF FAIR RENT) BILL, 1956 (L.A. BILL No. 4 OF 1956).

(As approved by the Chairman.)

Monday, the 27th February 1956.

The Joint Select Committee met in the Committee Room, Legislators' Hostel (Old Buildings), Government Estate, Mount Road, at 2 p.m. on Monday, the 27th February 1956.

The following members were present:—

1 Hon. Sri M. A. Manickavelu.
2 Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Sri M. S. Mogral.
5 Sri V. R. Nagarajan.
6 Sri S. Panchaksharam.
7 Sri P. B. K. Rajachidambaram.
8 Sri A. Sambasivam.
9 Sri P. G. Karuthiruman.
10 Sri C. Kandaswamy.
11 Sri S. Ramalingam.
12 Sri M. Dharmalingam.
13 Sri S. Swayamprakasam.
14 Sri D. Dasarathan.
15 Hon. Sri M. Bhaktavatsalam.
16 Sri Mohamed Raza Khan.
17 Sri A. Gajapathy Nayagar.
18 Sri M. Ethirajulu.
19 Sri K. Balasubramania Ayyar.

The Secretary to Government, Revenue Department, and the Assistant Secretary to the State Legislature were also present.

At the outset, the Hon. Sri M. A. Manickavelu, who was duly proposed by Sri S. Swayamprakasam and seconded by Sri A. Gajapathy Nayagar, was elected as the Chairman of the Committee.

Sri K. Balasubramanya Ayyar suggested that the Committee might invite people interested in the Bill to appear before the Committee to tender evidence apart from asking them to submit memoranda.

Sri S. Swayamprakasam said that the Committee might meet at three or four selected centres, apart from Madras, for the purpose of taking evidence as this would facilitate poor landowners and ryots to make representations.

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Sri S. Ramalingam suggested that the Committee might sit at Coimbatore, Tanjore or Tiruchirappalli, Madurai or Ramanathapuram or Tirunelveli and Madras and record oral evidence.

The Hon. Sri M. Bhaktavatsalam stated that the Committee would be able to finish taking evidence before the end of March, if the sittings were to be held in Madras itself. If the Committee were to go on tour, it would take at least a week's time to take evidence which could be done only in April 1956.

He added that the Committee could fix three or four days for hearing evidence at Madras itself, and, if considered necessary, the Committee could meet at Ootacamund subsequently to finalise the Bill.

Sri C. Kandasami said that it would be possible to hear the views of poor peasants only if the Committee were to visit some selected centres.

Sri P. B. K. Rajachidambaram requested that all the Members might be supplied with a copy of the note, if any, prepared by the Revenue Secretary giving whatever statistics pertaining to the Bill were available with the Government.

Sri S. Ramalingam wanted that all copies of reforms connected with the subject introduced in various other States such as Bombay, Bengal and Hyderabad might also be supplied to Members. The Revenue Secretary said that the note prepared by him contained all the information required by the Member.

Then, the Hon. Sri C. Subramaniam said that whatever information was available with the Government would be made available to Members also and that the Revenue Secretary would send a copy of the note prepared on the subject to the Members of the Committee.

Sri K. Rajaram said that the Tamilnad Congress Committee had toured every district in connexion with land reform proposals and so it would be enough if the Committee were to meet at Madras itself.

After some discussion, the Committee decided that the 20th of March 1956 might be fixed as the last date for receipt of memoranda from those interested in the Bill. The Committee also decided tentatively that it might meet at Madras after 15th April 1956 to take evidence and that if it was considered necessary to take further evidence at other places, it could be considered afterwards.

The Committee resolved to issue the following Press Note :—

"The Joint Select Committee appointed by the Madras State Legislature to consider and report on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956 (L.A. Bill No. 4 of 1956) will hear representations from persons interested in the Bill. Those who are interested in the Bill and who desire to give evidence before the Committee should

intimate the Secretary to the State Legislature, Government Estate, Mount Road, Madras-2, and also send their written memoranda with 40 spare copies so as to reach him before the 20th March 1956. The date on which oral evidence will be taken will be notified later."

The Committee then adjourned.

Friday, the 20th April 1956.

The Joint Select Committee on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956, met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, at 11 a.m. on the 20th April 1956.

The following Members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 Sri K. Rajaram.
3 Sri M. S. Mogral.
4 Sri G. Narayanaswami Naidu.
5 Sri R. S. Arumugam.
6 Sri V. R. Nagarajan.
7 Sri S. Panchaksharam.
8 Sri P. B. K. Rajachidambaram.
9 Sri A. Sambasivam.
10 Sri P. G. Karuthiruman.
11 Sri C. Kandasamy.
12 Sri S. Ramalingam.
13 Sri M. Dharmalingam.
14 Sri S. Swayamprakasam.
15 Sri M. Kandaswamy Kandar.
16 Sri M. Manickasundaram.
17 Sri D. Dasarathan.
18 Sri Mohamed Raza Khan.
19 Sri A. Gajapathy Nayagar.
20 Dr. V. K. John.
21 Sri M. Ethirajulu.
22 Sri T. Purushotham.
23 Srimathi S. Manjubhashini.
24 Sri K. Balasubramanya Ayyar.

Secretariat :

Sri T. Hanumanthappa, *Secretary to the State Legislature.*

Sri G. M. Alagarswamy, *Assistant Secretary to the State Legislature.*

The Deputy Secretary, Revenue Department, was also present.

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At the outset, Sri K. Balasubramanya Ayyar pointed out that Sri K. Bhashyam would cease to be a Member of the Legislative Council and hence he would cease to be a Member of the Joint Select Committee also. He wanted to know whether the Joint Select Committee could proceed with its work without filling up the vacancy in the Committee caused by Sri Bhashyam's ceasing to be a Member.

The Chairman referred Sri Balasubramanya Ayyar to sub-rule (2) of rule 98 of the Madras Assembly Rules which stated that ' A Select Committee may proceed with its work, notwithstanding the absence of any of its Members and nothwithstanding any vacancy which may have occurred in it after its constitution ' and stated that the Committee could proceed with its work in spite of the fact that there were some vacancies in it, as under rule 138 (6) a Joint Select Committee generally followed the same procedure as a Select Committee. He added that though Sri K. Balasubramanya Ayyar himself would technically cease to be a Member after the 20th instant, he would be taken in as an Associate Member of the Committee as was done in the case of the Select Committee on the Madras Court Fees and Suits Valuation Bill, 1954, when some lawyer Members of the Council were associated with it.

There was a short discussion as to the procedure to be adopted in taking evidence and the Committee decided to examine the associations first and then the individuals.

The representatives of the following associations were heard by the Committee in the forenoon :—

1. The Tiruchirappalli District Ryotwari Pattadars' Federation represented by Sri N. Ramaswamy Iyer;

2. The Madras State Farmers' Association represented by Sri C. Ramaswamy Mudaliar; and

3. The Sirugamani Landowners' Association, represented by Sri T. D. Kuppuswamy Ayyar.

At the conclusion of the examination of these witnesses the Committee rose for lunch at 1-30 p.m.

(After lunch—3 p.m.)

The Committee examined the following Associations :—

1. The Tirunelveli District Ryotwari Landowners' Association.

2. The South Kanara Landholders and Agriculturists' Association.

The Committee also examined Sri K. Doraiswami Raju of Tiruchirappalli.

A gist of the evidence tendered by the witnesses is appended.

The Committee then adjourned to meet again at 11-15 a.m. on the 21st April 1956.

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Saturday, the 21st April 1956.

The Joint Select Committee on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956 (L.A. Bill No. 4 of 1956) resumed its sittings in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, Madras, at 11-15 a.m. on Saturday, the 21st April 1956.

The following Members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 Sri K. Rajaram.
3 Sri G. Narayanaswami Naidu.
4 Sri R. S. Arumugam.
5 Sri V. R. Nagarajan.
6 Sri S. Panchaksharam.
7 Sri P. B. K. Rajachidambaram.
8 Sri A. Sambasivam.
9 Sri P. G. Karuthiruman.
10 Sri C. Kandasami.
11 Sri S. Ramalingam.
12 Sri S. S. Kolkebail.
13 Sri M. Dharmalingam.
14 Sri S. Swayamprakasam.
15 Sri M. Kandaswamy Gounder.
16 Sri M. Manickasundaram.
17 Sri D. Dasarathan.
18 Sri A. Gajapathy Nayagar.
19 Sri T. Purushotham.
20 Dr. V. K. John.
21 Srimathi S. Manjubhashini.

Associate Members.

22 Sri Mohamed Raza Khan.
23 Sri M. Ethirajulu.
24 Sri K. Balasubramanya Ayyar.

Secretariat.

Sri T. Hanumanthappa, *Secretary to the State Legislature.*

Sri G. M. Alagarswamy, *Assistant Secretary to the State Legislature.*

The Deputy Secretary, Revenue Department, was also present. The following representatives on behalf of the Tanjore district, Landowners' Association were examined by the Committee :—

1. Sri R. Krishnamurthi, Secretary, Tanjore District Landowners' Association.

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2. Sri V. Narayanaswami Iyer, Secretary, Manakkal Circle Ryots' Association.

3. Sri N. S. Iyer, Secretary, Nannilam Taluk Landowners' Association.

4. Sri K. Kanakasabesan, Treasurer, Mayuram Taluk Agricultural Association.

A gist of the evidence tendered by the witnesses is appended.

After the examination of the above witnesses, the Committee rose for lunch to meet again at 2-30 p.m.

(After lunch—3 p.m.)

The Committee examined the following witnesses :—

1. Sri A. N. Subramania Ayyar, Mayuram taluk, Tanjore district.

2. Sri R. Chidambaram, Peruvalanallur P.O. (via) Puvalur.

3. Sri M. Ganesa Iyer, Woriyur.

4. Sri R. Krishnaswami Iyer, Chidambaram.

5. Sri S. Muthukumaraswamy Pillai, President, Tholudur Project Landowners' Association.

6. Sri M. A. Venkatarama Iyer, Mudikondan.

7. Sri S. Suryanarayanan, Tamilnad Kodikal Vivasayigal Sangam.

8. Sri S. Krishnaswami, North Mangudi village, Tanjore district.

9. Sri P. Sivagurunatha Pillai, President, Tanjore District Vivasayigal Sangam.

10. Deputy Commissioner, Hindu Religious and Charitable Endowments, Coimbatore.

Personal Assistant to the Commissioner for Hindu Religious and Charitable Endowments, Madurai.

11. Sri M. Venkataswami Reddiar, South Arcot.

12. Sri K. K. Menon, Executive Officer, Tiruchendur Devasthanam.

13. Sri S. T. Krishnaswami, Srirangam.

14. Sri Rajagopala Iyengar, Karur.

15. Sri Subbarayan, Chidambaram Taluk Mirasdars' Association.

16. Sri M. D. Thangavelu, Musiri Taluk Landowners' Association.

A gist of the evidence tendered by the witnesses is appended.

Sri K. Balasubramanya Ayyar said that he could not attend the meetings of the Joint Select Committees, of which he was a member, to be held at Ootacamund and suggested that after the Ooty meetings, a meeting of those committees might be held at Madras for finalising the Bills.

The Joint Select Committee then adjourned *sine die*.

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Ootacamund, Monday, the 21st May 1956.

The Joint Select Committee on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956, met in the Council Hall, Stonehouse Hill, Ootacamund, at 3-30 p.m. on the 21st May 1956. The following members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Sri M. S. Mogral.
5 Sri G. Narayanaswami Naidu.
6 Sri R. S. Arumugam.
7 Sri S. Panchaksharam.
8 Sri P. B. K. Rajachidambaram.
9 Sri P. G. Karuthiruman.
10 Sri C. Kandasami.
11 Sri S. Ramalingam.
12 Sri S. S. Kolkebail.
13 Sri M. Dharmalingam.
14 Sri S. Swayamprakasam.
15 Sri M. Kandaswamy Goundar.
16 Sri M. Manickasundaram.
17 Sri D. Dasarathan.
18 Sri A. Gajapathy Nayagar.
19 Sri S. Narasapaya.
20 Sri T. Purushotham.
21 Srimathi S. Manjubhashini.

Associate Members.

22 Sri Mohamed Raza Khan.
23 Sri M. Ethirajulu.
24 Sri K. Balasubramanya Ayyar.

Secretariat.

Sri T. Hanumanthappa, *Secretary*.
Sri G. M. Alagarswamy, *Assistant Secretary*.

The Secretary to the Law Department and the Secretary to the Revenue Department were also present.

At the outset, the Committee decided to permit Sri V. Balakrishnan, M.L.A., to tender evidence before it.

Sri V. Balakrishnan, in the course of his evidence, referred to sub-clause (3) of Clause 4 of the Bill which stated that where the contract of tenancy provided for payment of a rent lower than the fair rent payable under the provisions of the Bill, the contract

LEGISLATIVE ASSEMBLY TRUTH ALONE TRIUMPHS

rent alone should be payable. He pointed out that the inam land-holders of the former Pudukkottai State were paying to the then Government a very low rate of assessment. But, subsequently, the assessment had been increased manifold. On the other hand the tenants under them were paying only a nominal rent. In that connection, he cited the instance of his own case, where his tenants were paying him a rent of about Rs. 5 or Rs. 6 per acre. According to the notification made by the Government recently, the assessment payable by him, viz., Rs. 120 would be increased by eight times, which would—towards assessment, cess and land revenue surcharge—result in his paying as much as Rs. 1,300 to Government.

To a query from the Hon. Sri C. Subramaniam as to what would be the percentage of rent he would be receiving from the tenant with reference to the gross produce, the witness stated that an acre would normally yield 10 bags of paddy and this would work to Rs. 140 according to present market rates, but he would be receiving from the tenant only about Rs. 5.

The Hon. Sri C. Subramaniam pointed out that this was something peculiar but he was sure that the provisions of the Bill might not apply to inam lands.

The witness referred to the Budget speech of the Finance Minister wherein it had been stated that the inam lands also would be included. The Finance Minister said that when a separate Bill was brought forward for that purpose, the witness could then make his representations.

Sri K. Balasubramanya Ayyar and Sri P. B. K. Rajachidambaram pointed out that the provisions in the Bill did not clearly state that inam lands were excluded from its purview. It had been clearly stated in the Bill that it would apply to all areas except in areas where the Malabar Tenancy Act was in force. The Hon. Sri C. Subramaniam stated that that aspect of the matter would be examined.

The Committee then took up clause-by-clause consideration of the Bill.

Sri S. Swayamprakasam referred to Section 7 (*f*) of the Tanjore Tenants and Pannaiyal (Protection) Act and stated that land-owners wishing to terminate the tenancy at the expiry of the period of five years referred to in Section 6 of the above Act had given notice to their tenants in writing about their intention to do so. He wished to know whether the provisions of the Bill would supersede the provisions of that Act as regards resumption of lands by owners.

Sri S. Ramalingam pointed out that the Cultivating Tenants Protection Act, 1955, would remain in force for a period of only one year and enquired what would happen to the tenants after the expiry of the Act.

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The Hon. Sri C. Subramaniam said that this Bill was concerned only with payment of rent and not with security of tenancy. However, the Government were considering these questions and a decision would soon be taken in the matter. At first the Government thought that they would be able to bring in comprehensive land legislation within the period of five years mentioned in the Tanjore Tenants and Pannaiyals (Protection) Act. But that had to be postponed to a certain extent. Along with this Bill, they would be bringing forward another Bill to extend the above periods.

When requested by the Hon. Sri C. Subramaniam to state the views of the representatives of South Kanara district with reference to the application of the provisions of the Bill to that district, Sri S. Narasapaya stated that not only the legislators representing that district in the Committee, but the other representatives also wanted that the provisions of the Bill should be applied there irrespective of the fact that after the reorganisation of States in October 1956 the district of South Kanara would be attached to Mysore State. As it would take three or four years for the new Mysore State to undertake land legislation, it was very necessary that the Bill should be passed into law before the reorganisation took place.

Clause 1.

Sri K. Balasubramanya Ayyar suggested that sub-clause (2) of Clause 1 might be amended to exclude areas where the Tanjore Tenants and Pannaiyals (Protection) Act, 1952, was in force. He stated that the above Act was enacted not only with respect to the tenants but also with respect to pannaiyals. That Act had been working very well and so far there had been no adverse comment on its working by the Government. He wished that that Act might be continued for some more time.

Sri S. Swayamprakasam stated that the labour contributed by the tenants of Tanjore district was much less than that contributed by the tenants in other districts. Therefore, he would suggest that the tenants in other districts might be paid more than what the tenants in Tanjore district were given.

Sri K. Rajaram, intervening, stated that, in other words, Sri S. Swayamprakasam wanted that the Tanjore mirasdars should be given more than what the mirasdars in other districts were given.

Sri S. Swayamprakasam said that tenants in deltaic areas should be given less than the tenants in non-deltaic areas. He also stated that the punjai lands in Tanjore district were more valuable than the punjai lands in other districts. There was also the pannaiyal system which was in vogue in that district alone. For the above reasons he favoured a separate legislation for Tanjore district.

Sri P. G. Karuthiruman stated that if Tanjore delta areas were to be exempted from the purview of this Bill, similarly all other delta areas should be exempted.

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Sri C. Kandasami said that the Tanjore Tenants and Pannaiyals (Protection) Act, 1952, was passed only as an emergency and temporary measure. By the passing of this measure into law, the Pannaiyals of Tanjore district were not going to lose anything. Therefore, he felt that this Bill should be extended to the whole State including the Tanjore district.

Sri G. Narayanaswami Naidu pointed out that the Pannaiyal system was not much in vogue now in Tanjore district. The Tanjore Tenants and Pannaiyals (Protection) Act was passed only as an emergency measure, and the people of that district were expecting eagerly that a comprehensive land legislation covering the whole State would soon be passed. The people of that district would be very much disappointed if the provisions of this Bill were not extended to that district.

The Hon. Sri C. Subramaniam stated that the Tanjore Tenants and Pannaiyals (Protection) Act was passed purely as an emergency measure. Now that they were making a legislation in respect of the entire State, it would not be proper to make a distinction between Tanjore district and other areas in the State. The intention of the Government was, and it had been put before the public also, that the question of landlord-tenant relationship should be considered as a whole with reference to the entire State and a fair rent fixed. As regards the sharing of the produce between the tenant and the landlord with respect to various kinds of land like garden land, punjai land, wet land, etc., it could be considered by the Committee at the appropriate state.

Sri P. B. K. Rajachidambaram stated that even after enacting the present Bill into law, several provisions of the Tanjore Tenants and Pannaiyals (Protection) Act would still be in force. For example, Section 7 (*a*) of the Tanjore Tenants and Pannaiyals (Protection) Act gave the landowner the right to determine the crop or crops which should be grown on the land. But in the present Bill, such a right had not been given to the landlord. According to the provisions in clause 15 of the Bill, section 7 (*a*) of the Tanjore Tenants and Pannaiyals (Protection) Act might not be repugnant to the provisions of the Bill. Therefore, he would suggest that the entire Tanjore Tenants and Pannaiyals (Protection) Act might be scrapped and that a new Bill with respect to pannaiyals might be brought forward.

The Hon. Sri C. Subramaniam stated that the unanimity of opinion seemed to be in favour of applications of the provisions of the Bill to the entire State including Tanjore district. He also added that the point raised by Sri P. B. K. Rajachidambaram was worth consideration.

Sri T. Purushotham enquired whether the date of commencement of the Act should be changed from 1st April to 1st July 1956. The Hon. Sri C. Subramaniam stated that the Act would apply in all cases where the agricultural year commenced from 1st April.

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But where the agricultural year commenced from 1st July, the Collectors concerned would notify such cases and there would be no difficulty in the matter.

Clause 1 was approved with the change that the sub-clause (3) would be amended as follows :—

" It shall be deemed to have come into force on the 1st day of April 1956."

Clause 2.

Clause 2 (1) (*a*) was approved.

Clause 2 (1) (*b*).—The Committee decided to postpone consideration.

Clause 2 (1) (*c*).—The Hon. Sri C. Subramaniam pointed out that the definition of a ' cultivating tenant ' as it stood would give scope for the inclusion of intermediaries and suggested that the definition as given in the Tanjore Tenants and Pannaiyals (Protection) Act might be adopted in the Bill also.

Sri P. B. K. Rajachidambaram, Sri K. Balasubramania Ayyar and Sri S. Ramalingam supported the suggestion.

The Committee decided that the following definition in the Tanjore Tenants and Pannaiyals (Protection) Act, 1952, might be substituted for the present definition of ' cultivating tenant ' :—

" Cultivating tenant " means a person who contributes his own physical labour or that of the members of his family in the cultivation of any land belonging to another, under a tenancy agreement, express or implied, and includes the heirs of such person but shall not include a mere intermediary or his heirs."

The Committee then adjourned to meet again the next day at 10 a.m.

Ootacamund, Tuesday, the 22nd May 1956.

The Joint Select Committee met from 10 a.m. to 1 p.m. on Tuesday, the 22nd May 1956, at the Council Hall, Stonehouse Hill, Ootacamund. The following were present :—

The Hon. Sri M. A. Manickavelu (*Chairman*).

The Hon. Sri C. Subramaniam.

Sri K. Rajaram.

Sri M. S. Mogral.

Sri G. Narayanaswami Naidu.

Sri R. S. Arumugam.

Sri S. Panchaksharam.

Sri P. B. K. Rajachidambaram.

Sri P. G. Karuthiruman.

Sri C. Kandasami.

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Sri S. Ramalingam.
Sri S. S. Kolkebail.
Sri M. Dharmalingam.
Sri S. Swayamprakasam.
Sri M. Kandaswami Kander.
Sri M. Manickasundaram.
Sri D. Dasarathan.
Sri Mohamed Raza Khan (*Associate Member*).
Sri A. Gajapathi Nayagar.
Sri M. Ethirajulu (*Associate Member*).
Sri T. Purushotham.
Srimathi S. Manjubhashini.
Sri K. Balasubramania Ayyar (*Associate Member*).

Secretariat.

Sri T. Hanumanthappa, *Secretary*.
Sri G. M. Alagarswami, *Assistant Secretary*

The Secretary to Government, Law Department, and the Secretary to Government, Revenue Department, were also present.

At the outset Sri T. Purushotham suggested that the points and the amendments in the memorandum submitted by the Commissioner for the Hindu Religious and Charitable Endowments be considered before the Bill was finalized.

The Hon. Sri C. Subramaniam agreed to the suggestion.

Clause 2.

Sri K. Balasubramanya Ayyar suggested that the heirs might be excluded from the definition of 'cultivating tenants' adopted from Tanjore Tenants and Pannaiyals (Protection) Act as an heir might be a major incapable of fulfilling the obligations laid on him or, if an heir did not wish to continue in the profession of his father, he need not be compelled to continue in that profession.

The Hon. Sri C. Subramaniam replied that the need for any special provision with regard to minors could be considered later on.

The Hon. Sri M. A. Manickavelu moved that for the word 'determined' occurring in clause 2 (1) (*d*), the word 'payable' be substituted.

The amendment was accepted.

Clauses 2 (1) (*e*) and (*f*) were approved.

There was a detailed discussion on clause 2 (1) (*g*) which defines 'normal gross produce'.

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The Hon. Sri M. A. Manickavelu moved that for the words 'raised' occurring in clause 2 (1) (g) the word 'obtained' be substituted.

The amendment was accepted.

Sri P. G. Karuthiruman said that in two blocks of land identically situated, the yield in the block cultivated by the owner himself would be more than that in the block cultivated by a tenant. The Rent Court might fix a lower normal gross produce on the basis of the yield from the tenant-cultivated land, whereas actually it might be higher. He added that 'varam' sharing under which the gross produce was shared at every harvest was working all right. Wherever there was mutual agreement between the landowner and the tenant in regard to the sharing of the produce, it need not be disturbed.

Sri C. Kandasami thought that the best arrangement would be to provide for the sharing of the actual produce as and when the crop was harvested. Fixation of fair rent on the basis of normal gross produce might result in hardship to the tenants during lean years.

Sri P. B. K. Rajachidambaram said that in the definition 'normal gross produce', there was no mention that the method of cultivation adopted should be normal. Yield during years in which defective methods of cultivation were adopted should not be taken into account in arriving at the normal gross produce.

The Hon. Sri C. Subramaniam said that the question for consideration was whether the sharing should be on the basis of actual gross produce at every crop or on the basis of the normal gross produce. If it were to be based on the yield from each individual field and for each individual crop every year, it would lead to litigation. But if a formula which was equitable to all was laid down for calculating the normal gross produce and fixing the fair rent, the courts could go by that formula which would be applicable for a period of five years.

Continuing he said that in a wet land a tenant might grow crops like turmeric, sugarcane, plantains and betel vines. He felt that provision should be made for determining the normal gross produce of such lands on the basis of the yield of paddy or other crop usually raised on that land, as it would be difficult to determine the normal gross produce for each variety of crop.

Sri P. B. K. Rajachidambaram said that the 40/60 ratio might not do justice so far as sugarcane and some other crops were concerned. A tenant derived more income from sugarcane than from paddy. He did not think it fair that a landowner should not be allowed to get anything more, while the tenant got more income from the same land.

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The Hon. Sri C. Subramaniam said that all the points raised would be considered and suggested that pending such consideration further discussion on the clause be postponed.

The suggestion was accepted and consideration of clause 2 (1) (*g*) was postponed.

Clause 2 (1) (*h*) was approved.

Consideration of clause 2 (1) (*i*) was deferred.

Clause 2 (1) (*j*) was approved.

Clause 2 (2) was approved.

The Hon. Sri C. Subramaniam suggested that the definition clause be reconsidered after decisions were arrived at on the operative clauses.

The suggestion was accepted.

Clause 3.

The Hon. Sri C. Subramaniam said that some catch crops yielded more income than even the principal crop. In some areas, there were mixed crops and it would be difficult to determine what the principal crop was and what the catch crops were. Considering all these difficulties, he said that the Government proposed not to make any distinction between the principal crop and catch crop and allow the sharing of the produce of all crops.

Sri R. S. Arumugam and Sri C. Kandasami were against giving any share of the catch crops to the landowners.

Sri K. Rajaram said that in Madurai, Ramanathapuram and Tirunelveli districts, mixed crops were grown and if the landowner was deprived of his share in any of the mixed crops, he would be ruined.

The principle that all crops should be shared without any distinction as between the principal crop and the catch crop was approved. Sri R. S. Arumugam and Sri C. Kandasami dissenting.

The Hon. Sri M. A. Manickavelu moved that for the words 'as determined' occurring in clause 3 (1), the word 'payable' be substituted, to bring the wording on a par with the wording in clause 2 (1) (*d*).

The amendment was accepted.

Clause 3 (2) (*a*) was deleted. Sub-clause (2) (*b*) was renumbered as sub-clause (2) and after discussion it was agreed that the sub-clause should be redrafted providing that in cases of irregular cultivation if the landowner shared the crops so raised he should share the excess water cess in proportion to his sharing but that he could ask the tenant to take the whole of the produce and pay

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the whole of the enhanced rent for irregular irrigation and pay him (landowner) his share of the produce which would have been raised but for the irregular irrigation.

Sri S. Ramalingam proposed that clause 3 (3) be deleted.

Sri K. Balasubramanya Ayyar opposed the proposal as it was unfair to ask the landowner to pay all dues payable to the Government and to local authorities, when he did not derive any income at all from the land during that year.

Sub-clause (3) (3) was deleted.

The Hon. Sri M. A. Manickavelu moved that the following be substituted for the existing sub-clause (4) :—

"Notwithstanding any neglect or failure on the part of the cultivating tenant to raise any crop, the landowner shall be entitled to collect fair rent."

This was approved.

With reference to clause 3 (5), Sri K. Balasubramanya Ayyar said that in the case of lands let on lease, the entire cost of cultivation was borne by the tenant. But in the case of lands let on waram tenure, the landowner and the tenant shared the cost equally. He saw no reason why the landowner should not be allowed to continue to take some interest in his land.

Sri C. Kandasami said that the cost of harvesting and threshing should be shared by the landowner and the tenant.

The Hon. Sri C. Subramaniam suggested that the further consideration of the clause be postponed as the Government proposed to introduce a new clause with regard to manuring of wet lands.

The suggestion was agreed to and further consideration of clause 3 (5) was postponed.

Clause 3 (6)

Sri R. S. Arumugam proposed that a clause analogous to section 7 (*e*) of the Tanjore Tenants and Pannaiyals (Protection) Act might be introduced here. It was also supported by Sri T. Purushotham.

The Hon. Sri C. Subramaniam explained that all works or improvements of a capital nature would be carried out by the landowner. If he did not carry out any essential improvements, the tenant might give notice to him, carry out the improvements and recover the cost from him.

It was decided to redraft the clause so as to incorporate in it the substance of section 7 (*e*) of the Tanjore Tenants and Pannaiyals (Protection) Act and also to provide that the landowner should carry

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out capital expenditure to maintain the land and the sources of irrigation like wells in proper state of repair in cases of lands other than wet lands.

Sri K. Balasubramanya Ayyar suggested that a provision should be made that in cases where the tenant failed to meet the cultivation expenses, the landowner should give notice to the tenant, bear the cultivation expenses himself and recover the amount from the tenant.

Sri K. Rajaram said that if any improvements such as the digging of a well were effected by the landowner after the fair rent had been fixed, there should be provision for revising the fair rent.

The Hon. Sri C. Subramaniam said that this point would be considered before the Bill was finalized.

Sub-clause (7).

Sri K. Balasubramanya Ayyar suggested that for the words " No landowner shall, after the commencement of this Act, claim, receive or stipulate " occurring in sub-clause (7) of clause 3, the words " No landowner shall, after the commencement of this Act, claim or stipulate " be substituted.

The amendment was carried.

Clause 3 as amended was approved subject to the condition that the question of services to be rendered by a tenant to a temple whose lands he had taken up for cultivation, would be considered separately.

Clause 4.

The Hon. Sri C. Subramaniam said that taking into consideration all the relevant factors, the Government felt that the fixation of a uniform share of 40 and 60 per cent of the gross produce as between the landlord and tenant was not fair. Therefore he proposed for the consideration of the Committee the following basis for the sharing of the normal gross produce :—

Dry land completely depending upon rain—25 per cent to landowner and 75 per cent to tenant.

Garden land—33-1/3 per cent to landowner and 66-2/3 per cent to tenant.

Wet land—40 per cent to landowner and 60 per cent to tenant.

Wet land where the irrigation is supplemented by lifting water —35 per cent to landowner and 65 per cent to tenant.

Sri M. S. Mogral said that coconut topes and mango groves the initial expenses for raising which were borne by the landowner, were let to tenants only for realising the produce and that such produce should be exempted from the basis of the sharing of the produce suggested by the Hon. Sri C. Subramaniam.

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Sri S. S. Kolkebail said that coconut trees around the house of a person also should be exempted.

The Hon. Sri C. Subramaniam said that such cases would be exempted and they were being classified under a separate category.

Sri K. Balasubramanya Ayyar suggested that the share of the landowner might be increased to 40 per cent in respect of padugai lands, as the labour to be put in by the tenant was not much.

The suggestion was not accepted.

Sri P. G. Karuthiruman suggested that the sharing might be on the basis of 50 : 50 in areas where there was assured supply of water as the tenant need not put in much labour.

The Hon. Sri C. Subramaniam made it clear that the Government were not prepared to raise the share of the landlord beyond 40 per cent in respect of any class of land, in view of the fact that the Planning Commission had recommended a maximum of only 25 per cent to the landowner.

In respect of garden lands and wet lands needing supplementing of irrigation by lifting water where pumpsets were installed by the landowner, it was decided that the share should be 40 per cent to the landlord and 60 per cent to the tenant.

It was made clear that the installation and repair charges for pumpsets should be borne by the landowner and the maintenance charges by the tenant.

The basis of sharing proposed by the Hon. Sri C. Subramaniam was approved.

The Hon. Sri C. Subramaniam said that the object of all land reform legislation was to step up production. The responsibility of cultivation was being passed on from the land-owning class to the tenants. Some tenants might be negligent and might not attend to cultivation properly. Manuring was very important for stepping up production. A suggestion was made that there should be compulsory manuring of wet land. Instead of leaving the responsibility of manuring to the tenant, it was suggested that a tenants' co-operative society for better farming might be formed in each village and entrusted with the task of seeing to the proper manuring of land and making necessary improvements. Out of the 60 per cent produce that the tenant got, he should give 10 per cent of the gross produce or 1/6th of his share to the co-operative society. If the cost of manuring or the improvements to the land was less than the amount realised from the sale of the 10 per cent produce contributed by the tenant, the balance of the amount would be lying to his credit and would not be taken away by anybody. Whether landowners also should be permitted to become members of the co-operative society was a point to be considered. Landlords may also be represented, one or two to have the advantage of their experience. As they will be in a minority no contribution

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need be insisted upon. Of course it would take at least five years to constitute co-operative societies in all villages. During the transition period, the existing arrangements would continue and the landlord might be permitted to advance the necessary amount and recover it at the time of harvest as the first charge on the produce. He reiterated that this proposal applied only to wet lands and to chemical fertilizers only.

Sri P. G. Karuthiruman said that the responsibility of manuring might be vested in the landowner who had a personal interest in the land as against a co-operative society which might not take as much interest as the landowner. The landowner might be given an extra share of the produce to meet the cost of manuring.

Sri G. Narayanaswami Naidu welcomed the proposal put forward by the Hon. Sri C. Subramaniam.

The Committee then adjourned to meet again at 9-30 a.m. the next day.

Ootacamund, Wednesday, the 23rd May 1956.

The Joint Select Committee on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956, met in the Council Hall, Ootacamund, at 9-30 a.m. on the 23rd May 1956.

The following Members were present :—

1 The Hon. Sri M. A. Manickavelu (*Chairman*).
2 The Hon. Sri C. Subramaniam.
3 Sri K. Rajaram.
4 Sri M. S. Mogral.
5 Sri G. Narayanaswami Naidu.
6 Sri R. S. Arumugham.
7 Sri S. Panchaksharam.
8 Sri R. S. Arumugam.
9 Sri P. G. Karuthiruman.
10 Sri C. Kandasami.
11 Sri S. Ramalingam.
12 Sri S. S. Kolkebail.
13 Sri M. Dharmalingam.
14 Sri S. Swayamprakasam.
15 Sri M. Kandaswami Gounder.
16 Sri M. Manickasundaram.
17 Sri D. Dasarathan.
18 Sri A. Gajapathi Nayagar.
19 Sri T. Purushotham.
20 Srimathi S. Manjubhashini.

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ASSOCIATE MEMBERS.

21 Sri M. ETHIRAJULU.
22 Sri MOHAMED RAZA KHAN.
23 Sri K. BALASUBRAMANIA AYYAR.

SECRETARIAT.

Sri T. HANUMANTHAPPA, *Secretary.*
Sri G. M. ALAGARSWAMY, *Assistant Secretary.*

The Secretary to Government, Law Department, and the Secretary to Government, Revenue Department, were also present.

*Clause 4—Discussion—*cont.

The Chairman stated that under Explanation 2 of Clause 4 (1) (iii) the tenant was exclusively entitled to the straw or stalk but now it was proposed to give one-fifth of the straw or stalk to the landowner.

Sri C. Kandasami stated that it would be enough if the landowner was entitled to the customary headloads of straw as provided in the Tanjore Tenants and Pannaiyal Protection Act.

Sri R. S. Arumugam pointed out that in his district it was not the custom to give straw to the landowner and as such there was no necessity to create a new custom of giving straw to the landowner.

Sri P. G. Karuthiruman stated that the customary right in his district was that the landowner was entitled to 50 per cent of the straw. He suggested that at least one-third of the straw should be given to the landowner.

Sri S. Ramalingam proposed one bundle of straw per acre or in the alternative one-tenth of the straw as the share of the landowner.

Sri M. Manickasundaram wanted that all the landowners who had given their lands on waram should be given some share of the straw.

Sri P. B. K. Raja Chidambaram stated that straw should form part of the ' normal gross produce ' which was to be shared between the landowner and the tenant.

Sri K. Balasubramanya Ayyar felt that the provision for giving one-fifth of the straw to the landowner was a reasonable one and anything less than that would be very unfair.

The Hon. Sri C. Subramaniam pointed out that they should not think only of big landlords and should take into consideration the small ryots who owned cattle. They had already made a provision that the fair rent might be paid in cash or kind. If the rent was in kind, the tenant had to pay to the landholder 40 per cent of the gross produce and 20 per cent of the straw. If the

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rent was commuted into cash, the question of giving straw did not arise, but its value would be taken into account in striving at the cash rent. Therefore, he felt that the proposal of the Chairman might be accepted.

The Committee approved the proposal to give one-fifth of the straw to the landowner.

To an enquiry from Sri R. S. Arumugam whether sub-clause (3) of clause 4 would be retained in clause 4 as redrafted, the Hon. Sri C. Subramaniam replied in the affirmative.

Clause 5.

Sub-clause (1).—The Hon. Sri C. Subramaniam stated that the question of payment of rent either in cash or in kind should generally be governed by "contract"; but in the absence of the contract, the tenant should notify to the landowner within a month after the beginning of the agricultural year in writing as to whether he was going to pay the rent in cash or in kind. Once he made the choice, he should not alter it unless it be by mutual agreement.

Sri P. B. K. Raja Chidambaram and Sri K. Balasubramanya Ayyar asked why the landowners should be denied the choice of getting rent either in kind or in cash. By giving that right to the landowner, the tenant was not going to suffer.

Sri S. Panchaksharam suggested that the sub-clause might be retained after omitting the words "in the absence of such a contract . . . may feel convenient".

Sri A. Gajapathy Nayagar suggested that the Rent Courts might be asked to decide whether the fair rent should be paid in cash or in kind.

Sri C. Kadasami favoured the retention of the sub-clause as it stood.

After some discussion, the following revised proposal of the Hon. Sri C. Subramaniam was approved :—

When there was a contract, the terms of the contract should be enforced. In the absence of such a contract, the option to pay rent in cash or in kind should be given to the tenant. If the tenant wanted to exercise that option, he should give notice to the landowner about his intention within three months after the beginning of the agricultural year. If he did not exercise that option, then the landowner might exercise it. Once that option was exercised, it would be binding on both the parties unless by mutual agreement they cancelled it.

Sub-clause (2).—Sri R. S. Arumugam referred to section 13 (1), paragraph 2 of the Tanjore Tenants and Pannaiyal Protection Act and suggested that the provision contained therein might be adopted here also.

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Sri C. Kandasami stated that the option to apply for remission in case of adverse seasonal conditions should be given to the tenants also.

Sri S. Ramalingam supported the proposal made by Sri R. S. Arumugam.

The Hon. Sri C. Subramaniam suggested that the same provision as found in the Tanjore Tenants and Pannaiyal Protection Act might be adopted here also but that a rider should be added that the tenant could not go to a Court unless there had been a failure at least to the extent of 25 per cent of the gross produce from any particular crop.

Intervening, Sri S. Swayamprakasam stated that there should also be a proviso for giving the landowner's share of the 'admitted crop' even before the matter was decided by the Court. The Hon. Sri C. Subramaniam agreed to the proposal and stated that a proviso could be added stating that when the rent had become payable whatever produce was admitted should be shared between the tenant and the landowner; otherwise, his application should be dismissed by the Court.

Sri P. B. K. Raja Chidambaram referred to the following provisions in the Hyderabad Tenancy and Agricultural Land Act, 1950, regarding reduction or enhancement of rent and stated that they could be adopted here also :—

"(*a*) reduce the rent if on an application made by the tenant the Tribunal or the Collector is satisfied that on account of deterioration of the land by floods or other causes beyond the control of the tenant, the land has been wholly or partially rendered unfit for the purposes of cultivation; or

(*b*) enhance the rent if on an application made by the landholder the Tribunal or the Collector is satisfied that on account of any improvements made in the land by or at the expense of the landholder the produce of the land has been increased."

The Hon. Sri C. Subramaniam stated that the above provisions could be incorporated in clause 6.

The suggestions made by the Hon. Sri C. Subramaniam were approved by the Committee.

Clause 6.

Sri K. Balasubramanya Ayyar wanted that the period fixed for alteration or revision of fair rent should be reduced from five to three years. The Chairman pointed out that a similar provision was found in all land legislations enacted in other States.

Clause 6 was approved with the addition of the provisions contained in the Hyderabad Tenancy and Agricultural Act, 1950, mentioned above.

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Clause 7.

The Hon. Sri C. Subramaniam said that it would be very difficult in practice to share the produce in kind with reference to cash crops at the threshing floor itself and that the clause to that extent would have to be amended. He proposed that in respect of cash crops, in the absence of a contract, only cash rent should be paid. As far as the sharing of the grains was concerned, it would not be difficult to share the produce at the threshing floor itself and the existing provision might remain.

Sri S. S. Kolkebail pointed out that a decision had already been taken under clause 5 that rent might be paid either in cash or in kind.

The Hon. Sri C. Subramaniam said that clause would have to be modified in the light of the decision taken on the clause under discussion.

Sri P. G. Karuthiruman stated that in his place there were many landowners who were sharing the cash crops at the threshing floor itself. Sri R. S. Arumugam suggested that the clause might remain as it stood. Sri P. B. K. Raja Chidambaram suggested that the words " on the land or in any other place mutually agreed upon " might be added at the appropriate place.

The Hon. Sri C. Subramaniam proposed that with reference to the sharing of the grains, the same provision as found in the Tanjore Tenants and Pannaiyal Protection Act might be adopted here also and with respect to sharing of other crops, they might leave it without making any provision, so that it might be done in the most convenient way possible.

This was agreed to.

Sri S. Swayamprakasam wanted that a time-limit should be fixed within which the sharing should be effected. The Hon. Sri C. Subramaniam stated that provision in respect of that matter could be made in the rules.

Clause 8.

Sri S. S. Kolkebail wanted that Land Tribunals presided over by a Judicial Officer should be constituted in the place of the Rent Tribunals contemplated in the clause. He added that such Tribunals had been functioning in other States.

Sri P. B. K. Raja Chidambaram suggested that the Rent Tribunal should not be presided over by the Revenue Divisional Officer who was subordinate to the Collector but by a District Munsif.

Sri S. Ramalingam wanted the clause to be retained as it stood. Sri R. S. Arumugam supported the suggestion.

The Hon. Sri C. Subramaniam pointed out that according to their reports, the Land Tribunals mentioned by Sri S. S. Kolkebail

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were not working properly and that what was wanted was the expeditious disposal of cases. He had no objection to the District Munsifs presiding over the Rent Tribunals.

This was agreed to by the Committee.

Clause 9.

The clause was approved.

Clause 10.

As it was decided that the District Munsif should preside over the Rent Tribunal, the Committee considered that a second appeal to the District Court was not necessary, and therefore, decided to delete the whole clause.

Clause 11.

Sri S. Ramalingam and Sri G. Narayanaswami Naidu wanted that the costs should be borne by each party.

The suggestion was not agreed to and Clause 11 was approved, with the omission of the reference to Clause 10.

Clause 12.

Sri G. Narayanaswami Naidu suggested that the Collector of the district should publish the list of prices every month instead of every three months.

The Chairman pointed out that that was not possible.

The clause was approved.

Clause 13.

The clause was approved.

Clause 14.

Sri P. B. K. Raja Chidambaram stated that he had worked the cost of cultivation and the gross yield with reference to sugarcane, plantains, betel-vines and turmeric. As regards sugarcane, the cost of cultivation was Rs. 800 per acre and the gross yield Rs. 1,500. The cost of the cultivation with regard to plantains came to rupees 1,800 for three years and that gross yield Rs. 3,600. In respect of betel-vines, the cost of cultivation amounted to Rs. 6,500 while the gross yield would be Rs. 15.000. The cost of cultivation in regard to turmeric would come to about Rs. 750 per acre and the gross yield to Rs. 1,500.

Intervening, the Hon. Sri C. Subramaniam stated that the cost of cultivation in respect of turmeric was not correct. As regards betel-vines, it had already been exempted.

Continuing, Sri P. B. K. Raja Chidambaram proposed that in respect of sugarcane and plantains also, exemption could be given or in the alternative he would suggest that 20 per cent of the gross produce be given to the landlords.

After some discussion the Hon. Sri C. Subramaniam put forward the following proposal :—

If it was a contract for raising sugarcane or plantains, the provisions of the Bill would not apply. Where a tenant who had taken a lease for normal cultivation wanted to deviate from that by raising sugarcane or plantains, it should be done only by entering into a separate agreement with the landowner, in which case also the provisions of the Bill would not apply. If a tenant used the land for raising sugarcane or plantains without the landowners' consent after taking the land on lease for raising the normal crops he should pay rent as specified in the Bill. This would act as a deterrent and the tenant, in that case, would raise these crops only if it was worth his while to do so even after paying the rent specified in the Bill.

The proposal was agreed to and the Committee decided to amend the clause accordingly.

Then the Committee took up for consideration the ceiling on tenancy.

The Hon. Sri C. Subramaniam pointed out that at present there were a number of tenants holding on lease a large extent of land. There were also instances of persons belonging to other districts holding on lease a large extent of land in the Tanjore district. He wanted to know whether the benefits of the Bill should be restricted to the real tillers or should be extended to the capitalistic tillers also. It was not their intention to give protection to the big tenants to enable them to make more money. He would, therefore, suggest that a ceiling on the extent of land a tenant could cultivate, either as owner or as tenant or as a tenant plus owner, should be fixed and that they alone should be entitled to the benefits conferred by this Bill.

Sri C. Kandasami stated that it was only the people who sublet lands that were making money and those who were cultivating them with hired labour were not making money. He felt that if the suggestions of the Hon. Sri C. Subramaniam were accepted, the whole benefits would go to the landowner.

The Hon. Sri C. Subramaniam stated that as between a landowner and a third person, who had taken on lease a large extent of land, he would support the former.

To an enquiry from Sri R. S. Arumugam, the Hon. Sri C. Subramaniam stated that he would be prepared to consider preference being given in the matter of giving lands surrendered by big tenants for cultivation to those persons who had already been evicted. He would take that aspect of the matter into consideration when the Prevention of Eviction Bill would be brought forward again before the Assembly.

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Continuing, he said that with regard to the ceiling on tenancy, the formula adopted in the Explanation to sub-section (2) of section 4 of the Madras Cultivating Tenants Protection Act, 1955, might be adopted here also which read as follows :—

" The extent referred to . . . is 6-2/3 acres of wet land or dry land irrigated from any Government source of irrigation, which shall be taken to be equivalent to 20 acres of dry land not irrigated from any Government source of irrigation."

This was agreed to. It was also agreed that tenants whose total holdings as tenants or owner or in both capacities did not exceed 10 acres should be enabled to surrender the excess so as to enable them to get the benefits of the Bill.

With regard to border-line cases of tenants holding lands over and above 6-2/3 acres referred to by Sri S. Ramalingam and others, the Hon. Sri C. Subramaniam said that in cases where a tenant had surrendered a portion of the lands, such lands should not immediately revert back to the landowner unless the landowner himself did not own 6-2/3 acres. If the lands surrendered were over and above 6-2/3 acres, provision would be made in the Bill intended to prevent the eviction of tenants to take other lessees and that this question would be further considered in connection with that Bill.

Sri T. Purushotham and Sri K. Balasubramanya Ayyar wanted that exemption should be given in respect of small landowners also.

This was not agreed to.

Clause 15.

The Hon. Sri C. Subramaniam stated that a separate Bill would be brought forward in respect of Pannaiyals containing the provisions in the Tanjore Tenants' and Pannaiyals Protection Act, if necessary.

The clause was approved after deleting the words " relating to the payment of fair rent ".

Clause 16.

With reference to sub-clause (3) of clause 16, the Committee decided to adopt the following formula :—

" All rules made under this section and all notifications issued under this Act shall, as soon as possible after they are made, be placed on the table of both the Houses of the Legislature for fourteen days and shall be subject to such modifications and alterations whether by way of repeal or amendment as the Legislative Assembly may make during the period in which they are so laid."

Clause 16, as amended, was approved.

Sri R. S. Arumugam suggested that rules would have to be framed with reference to Clause 12 (2) (*h*). He also wanted that forms of lease-deeds should also be prescribed.

The Hon. C. Subramaniam stated that the Government had got powers to make rules in respect of all such matters.

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Sri S. Swayamprakasam pointed out that under sub-clause (3) of Clause 4, they had provided that—

"Where the contract of tenancy provides for payment of a rent lower than the fair rent payable under the above provisions, the contract rent alone shall be payable."

but that was against the provisions of the Contract Act which was a Central Act.

The Law Secretary pointed out that this was not a legislation on Contracts but on land and the relation of landlords and tenants and there was no doubt about the validity of the legislation.

Clause 17 was approved.

Then the Committee took up for consideration the question of giving exemption to temple and other charitable endowment lands under the Bill.

Sri T. Purushotham pointed out that under Clause 3 (7) (iii) no landowner should claim, receive or stipulate for any service by the cultivating tenant. In most of the temples, the lessees who took up the lands of the temples had to render services to the temples. If the provision in the Bill was approved, most of the temples would be put to the necessity of incurring additional expenditure. There was a definite request from the Commissioner that if this Bill was passed as it stood, the State Government should pay compensation to religious institutions.

The Hon. Sri C. Subramaniam felt that if those in charge of the religious institutions could collect the 40 per cent share due to them from their tenants, they might be able to meet all commitments. Therefore, they should stick to the general law in regard to temples and religious institutions also. If they had any difficulty with regard to the management of these institutions from any other aspect they would be examined.

Sri K. Balasubramanya Ayyar suggested that Clause 3 (7) (iii) should be suitably amended to permit services by lessees.

The Hon Sri C. Subramaniam stated that if there was a lesser rent fixed with a condition that some service should be performed for religious institutions, temples, etc., it would be examined by the Revenue and Law Secretaries whether the rendering of the service would be repugnant to the provisions of the Bill.

With reference to the position of tenants in South Kanara district, Sri S. S. Kolkebail stated that a Mulgeni tenant, i.e., a tenant with permanent occupancy right had let out his lands on 'chalgeni' to a cultivating tenant and the Mulgenidar under the present Bill would get only the fair rent which would be less than the rent payable by him to the landowner. Such Mulgenidars should not be made to pay more than what they received. He also wanted to know whether homesteads would come under the purview of this Bill.

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The Hon. Sri C. Subramaniam stated that homesteads would not come under the purview of this Bill. He would ask the Department to examine the position of Mulgeni tenants with reference to his superior landlord and the rent payable by him.

He then informed the members of the Committee that in the light of the decisions arrived at, the Bill would be redrafted. The Committee would discuss at another sitting in Madras the redrafted Bill and finalise it.

The Committee then adjourned.

Tuesday, the 17th July 1956.

The Joint Select Committee on the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956 (L.A. Bill No. 4 of 1956), met in the Committee Room, Old Legislators' Hostel, Government Estate, Mount Road, Madras, at 11 a.m. on Tuesday, the 17th July 1956.

The following Members were present :—

The Hon. Sri M. A. Manickavelu (*Chairman*).
The Hon. Sri C. Subramaniam.
Sri R. S. Arumugam.
Sri C. Kandasami.
Sri M. Kandaswamy Gounder.
Sri P. G. Karuthiruman.
Sri M. Manickasundaram.
Sri M. S. Mogral.
Sri V. R. Nagarajan.
Sri G. Narayanaswami Naidu.
Sri S. Panchaksharam.
Sri S. Ramalingam.
Sri P. B. K. Raja Chidambaram.
Sri K. Rajaram.
Sri A. Sambasivam.
Sri S. Swayamprakasam.
Sri A. Gajapathy Nayagar.
Srimathi S. Manjubhashini.
Sri S. Narasapaya.
Sri T. Purushotham.

Associate Members.

Sri K. Balasubramanya Ayyar.
Sri M. Ethirajalu.
Sri Mohamed Raza Khan.

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SECRETARIAT :

Sri T. HANUMANTHAPPA, *Secretary to the State Legislature.*
Sri G. M. ALAGARSWAMY, *Assistant Secretary.*

The Secretary to Government, Law Department, and the Secretary to Government, Revenue Department, were also present.

The Committee took up for consideration the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956, as redrafted by the Law Department with reference to the decisions of the Joint Select Committee at its previous sittings.

Clause 1 (3).

Sri S. Swayamprakasam pointed out that difficulties would arise if the Bill was deemed to have come into force on the 1st day of April 1956 in view of the fact that provision had been made in Clause 13 of the Bill that a cultivating tenant who owned or who cultivated either as tenant or as owner or as both, an extent of land in excess of one veli was not entitled to the benefits of this Bill and also the harvesting of certain crops would be over by now. Sri S. Narasapaya stated that the provisions made in the redrafted clause might be allowed to remain. Sri P. B. K. Raja Chidambaram said that it might be laid down that the date from which the provisions of the Bill would come into force would be notified by the Government. Sri P. G. Karuthiruman wanted that the words ' 1st day of April 1956 ' should be changed to ' 1st day of September 1956 '. Sri A. Gajapathy Nayagar felt that no change need be made.

After some discussion it was decided that the words and figures ' 1st day of July 1956 ' be substituted for the words and figures ' 1st day of April 1956 '.

Clause 2 (*b*).

Sri S. Narasapaya stated that the definition of the ' cultivating tenant ' should cover the cases of those persons who cultivated lands by their own labour or under their personal supervision with hired labour. He also said that the definition of cultivating tenant should cover the case of a person who continued in possession of the land after the determination of the tenancy agreement. The first part was not agreed to as it was the intention of the Bill not to create any intermediaries and, as regards the second part, the Law Department was asked to make suitable changes on the lines of section 2 (*a*) (1) of the Cultivating Tenants Protection Act, 1956.

Clause 2 (*d*).

Sri S. Narasapaya said that the definition of " garden land " should be changed so as to bring in garden lands not irrigated by lifting water from wells, and that the following definition of " Garden land " as found in the Malabar Tenancy Act might be incorporated in the Bill, viz. :—

" ' Garden land ' means any land used principally for growing coconut trees or arec trees or both."

The Committee considered that this was not necessary as this Bill specifically excluded areas governed by the Malabar Tenancy Act.

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Sri A. Gajapathy Nayagar suggested that the words " or other sources " might be added at the end of the definition after the word ' wells '. This was agreed to.

Clause 2 (*f*).

Sri S. Narasapaya stated that on account of any dispute arising out of the ownership of the land the tenant should not be put to any hardship as to whom he should pay the fair rent and that the definition of ' land owner ' would require to be modified to meet that object. After some discussion, the Committee felt that no change in the definition of ' landowner ' was necessary.

Clause 2 (*g*).

The Committee decided to delete the following words from the definition of " normal gross produce " :—

" that is to say, were neither unduly favourable nor unduly unfavourable " and " as determined by the Rent Court in accordance with such rules as may be prescribed ", and to make a provision taking power to make rules in respect of the latter.

Clause 2 (2).

This was approved.

Clause 3 (1).

In view of the change made in Clause 1 (3), this clause was amended as follows :—

" (1) With effect from the 1st day of July 1956, every cultivating tenant shall be bound to pay to the landowner and every landowner shall be entitled to collect from the cultivating tenant fair rent payable under this Act."

Clause 3 (7).

The sub-clause was amended as follows :—

" (7) The landowner shall bear all capital expenditure necessary to maintain the land and wells in a state of proper repair."

Clause 3 (9).

The Committee decided to delete words " wet " and " with chemical fertilisers " as the objective was to increase production from all classes of land.

Clause 4.

Sri S. Panchaksharam suggested that the fair rent in respect of dry land should be increased. Sri V. R. Nagarajan wanted that the fair rent in respect of dry land should be increased to 30 per cent. Sri P. B. K. Raja Chidambaram and Sri K. Balasubramanya Ayyar pointed out that a distinction should be made between wet lands served by first-class irrigation sources as in Tanjore and Tambaraparni delta areas, and wet lands in Chingleput and other

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districts which were not served by such irrigation sources. Sri S. Ramalingam and Sri C. Kandaswamy stated that the rates agreed to should not be changed.

Sri R. S. Arumugam again raised the question of giving to the landowner one-fifth of the straw or stalk and stressed that inasmuch as difficulty was bound to arise in the sharing of straw or stalk the landowner should not be entitled to it. The Hon. Sri C. Subramaniam stated that the intention of the Government was that the landowner should receive 40 per cent of the gross produce as his share and that in respect of straw or stalk the landowner has now to be content with 20 per cent only and therefore no change was necessary.

The Hon. Sri C. Subramaniam wished to know from the Members of the Committee whether a provision should be made in the Bill making it compulsory on the part of the landowner to advance a sum of money not exceeding 10 per cent of the gross produce for manuring the land and the tenant reimbursing the same and making it as a first charge on his share. Sri S. Narasapaya, Sri S. Panchaksharam and Sri K. Balasubramanya Ayyar felt that compulsion would lead to bickerings between the landowner and the tenant and as such was not desirable. Sri P. B. K. Raja Chidambaram and Sri P. G. Karuthiruman felt that in the interest of increased production, it was desirable that some such provision was made.

After some discussion the Committee decided that for the present no provision be made in the Bill in respect of compulsory responsibility for manuring.

Clause 5 (2).

The words " the whole or " occurring in the clause were deleted.

Sri S. Ramalingam wanted that the proviso to the clause should be deleted as it would cause hardship to the tenant. He pointed out that in case the crops were affected by pest and the tenant made an application to the Rent Court before the harvest for remission of fair rent on that ground, the latter might insist on the tenant depositing the rent admitted by him to be due to the landowner before entertaining the application. In that case it would be very unfair to compel the tenant to deposit the fair rent even before the crop was harvested.

After some discussion the Law Department was asked to suitably amend the provisions in the proviso to the clause empowering the Rent Court to impose such conditions as it considered reasonable taking into account all the circumstances of the case including conditions as to deposit of admitted rent.

Clause 9.

The suggestion of Sri R. S. Arumugam to include the words " or any decree or order of a Court " after the words " and the cultivating tenant " was agreed to by the Committee.

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Clause 13.

Sri P. B. K. Raja Chidambaram pointed out that the clause should clearly specify that the surrender should be done only at the end of the agricultural year. This was agreed to and the Law Department was asked to amend the clause suitably.

Clause 14.

The clause was amended as follows :—

" 14. *Exemption.*—Nothing in this Act shall apply to any land during the period when such land is used for raising as main crop sugarcane, plantain or betel vines or any crop which does not give any yield for a continuous period of two years or more from the time of cultivation or to any contract merely for collection or harvesting of the produce of any land."

Clause 16 (3).

The following redrafted clause was then taken up for consideration :—

" All rules made and all notifications issued under this Act shall, as soon as possible after they are made, be placed on the Table of both the Houses of Legislature and shall be subject to such modifications by way of amendments or repeal as the Legislative Assembly may make within fourteen days on which the House actually sits either in the same session or in more than one session."

Sri T. Purushotham wanted that the Legislative Council should also be empowered to make modifications and alterations, by way of repeal or amendment, to the rules placed on the table of both the Houses of the Legislature. Sri K. Balasubramanya Ayyar also supported this view. The Hon. Sri C. Subramaniam pointed out that it was not practicable to do so and that the procedure suggested might cause delay.

The clause as redrafted was approved.

Sri S. Narasapaya pointed out that a special provision should be made in respect of the position of tenants in South Kanara district. Under the present Bill, the Mulgenidar, who was an intermediary between the landowner and the chalgenidar—the cultivating tenant, would get only the fair rent which would be less than the rent payable by him to the landowner. As such the Mulgenidars should be entitled to have a proportionate reduction in the rent payable by them to the landowner. This was agreed to by the Committee. The Law Department was asked to make a suitable provision in the Bill.

The question of exempting temple lands from the provisions of this Bill was then considered by the Committee. In view of the fact that even under the 40 : 60 per cent sharing of the produce contemplated under the provisions of the Bill the temples would be getting sufficient revenue, the Committee felt that they need not be exempted from the provisions of this Bill.

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The Chairman was authorized to sign the report on behalf of the Committee.

The Committee decided that, in view of the changes made in the Bill, it should be republished. It also decided that Dissenting Minutes, if any, should be forwarded to the Legislature Secretariat before 24th July 1956. Copies of the Bill as finally redrafted would be circulated to the Members on 19th July 1956.

GOVERNMENT ESTATE,
MOUNT ROAD, MADRAS-2,
25th *July* 1956.

T. HANUMANTHAPPA,
Secretary to the State Legislature.

APPENDIX.

SUMMARY OF EVIDENCE TENDERED BEFORE THE JOINT SELECT COMMITTEE ON THE MADRAS CULTIVATING TENANTS (PAYMENT OF FAIR RENT) BILL, 1956 (L.A. BILL NO. 4 OF 1956), AT THE COMMITTEE ROOM. LEGISLATORS' HOSTEL (OLD), GOVERNMENT ESTATE, MADRAS.

I.

Friday, the 20th April 1956.

(1) *Sri N. Ramaswamy Ayyar, Vice-President, the Tiruchirappalli District Ryotwari Pattadars Federation,* (2) *Sri C. Ramaswamy Mudaliar, Joint Secretary, the Madras State Farmers' Association and* (3) *Sri T. D. Kuppuswamy Ayyar, President, the Sirugamani Landowners' Association.*

At the outset, Sri N. Ramaswamy Ayyar stated that besides representing his own association, viz., the Tiruchirappalli District Ryotwari Pattadars Federation, of which he was Vice-President, he was speaking on behalf of the other two associations also which did not have a separate case to present to the Committee and that after he had finished his points, the representatives of the other two associations might be allowed to supplement him if they wanted to do so.

To a question put by Sri S. Swayamprakasam, the witness said that he was representing the interests of the mirasdars and landowners.

The witness stated that he would take up such of the clauses in the Bill on which the associations had some comments to make.

Clause 2 (1) (c).—The witness took objection to the tenants alone being allowed to use hired labour. If the tenants were allowed to use hired labour, the landowners should also be given the same concession. Continuing, the witness stated that as there was a proposal to fix ceilings on holdings of landlords, in the case of the tenants also, the quantum of tenancy should be limited. He suggested that a ceiling of not more than 5 acres of wet land or its equivalent of dry land may be fixed.

Replying to a query from Sri K. Rajaram, the witness stated that normally, a family owning not more than 5 acres of wet land could cultivate the land without the help of hired labour.

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In the matter of affording any protection under this Bill to the tenants, the witness wanted that such protection should be given only to those tenants who were in occupation of the land for 12 years or more as only then he would have acquired a status and standing which required extra protection. If a person was a landholder himself, he must not be eligible to come under the definition of "Cultivating Tenant".

The witness also stated that the definition of a cultivating tenant should not include his heirs as it was not desirable to tie down the future generations also as cultivating tenants. He, therefore, wanted the deletion of the words 'and includes the heirs of such person', in this sub-clause. He agreed with the intentions of the framers of the Bill that heirs of intermediaries should not have any right.

Clause 2 (*g*).—The witness stated that the definition of 'normal gross produce' was very vague and that it should be clearly defined. Reverting to clause 2 (1) (*f*), he said that a landowner must be defined as a person who had the right to decide what crop should be grown in his land.

Dr. V. K. John wanted the witness to suggest a suitable amendment to the definition of 'normal gross produce'.

The witness replied that the definition should be split up into two parts, one relating to the kind of produce to be grown and the other relating to the quantity of the produce.

The Chairman told the witness that it related to the quantum of the produce only.

Sri K. Balasubramanya Ayyar pointed out that when they were considering the "normal gross produce", it was not passible to confine the definition to quantity alone.

The witness observed that even if they were to confine it to quantity alone, it must be fixed in an understandable way. It was very nebulous and this kind of a meandering definition was capable of bringing about a lot of frustration, bitterness and trouble in its actual application. Fair-play must be for both the tenants and the owners. In many places, there were written agreements and written lease deeds, for a period of 10, 12 or even 15 years. It should be fixed on the average lease amount minus a percentage, say 12 per cent They should take into consideration the average lease amount for 10 years or so from documents of unimpeachable variety.

Clause 4.—As regards this clause, the witness stated that it was a very extraordinary provision that whether it was dry or wet land or whether it was single or double crop land, 40 per cent of the gross produce would go to the landowner and 60 per cent to the tenant.

Dr. V. K. John asked the witness to state the prevailing percentage to which the witness replied that it varied between wet and dry lands and also as between wet land in one place and wet land in another place. Replying to further questions from the same Member, the witness stated that an average percentage of the gross produce could not be laid down as the share of the landowner nor was it possible to fix a maximum and minimum limit for such an average percentage as humanity did not submit itself to such kind of averages.

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Dr. V. K. John again enquired whether it was the idea of the witness that no average should be fixed at all and that if one was fixed it should not be what was given in the Bill. The witness replied in the affirmative.

Sri A. Gajapathy Nayagar enquired whether the witness could suggest some working principle to fix the fair rent.

The witness replied that land could be divided generally into two categories. The first category was land irrigated by a flowing channel running close by without any effort on the part of the tenant. The other category was land irrigated by baling out water, which involved some labour. He suggested that in the case of the first category of land, the landlords' share might be fixed at 60 per cent and in the case of the second category, it might be fixed as 50 per cent of the gross produce.

He advocated 60 per cent of the gross produce as fair rent in the case of project-irrigated lands because the yield was greater there with lesser effort on the part of the tenant.

He did not see any justification for the Bill so soon after the passing of the Tanjore Tenants and Pannaiyal Protection Act, 1952, since conditions had not materially changed now.

Sri S. Swayamprakasam pointed out that the Tanjore Tenants and Pannaiyals Protection Act of 1952 was passed only as a temporary measure to meet an emergency. The witness replied that nearly four years of working of this Act should have given the Government an idea of its working and if they considered a reversal of the proportion fixed in this Act was necessary, the Government should state the reasons for their action.

The witness said that the 40 per cent fair rent mentioned in the Bill would not bring in a fair return to the investor. Elucidating the point he said that out of one acre of single crop wet land valued at about Rs. 2,000 he got 27 kalams of paddy of which 18 kalams went to him and 9 kalams to the tenant on a 66-2/3 per cent to 33-1/3 per cent basis. He paid a kist of 20 rupees and spent 30 rupees on manure. The 18 kalams fetched him about Rs. 162 of which his net income was Rs. 112. The tenant, on the other hand, from out of the Rs. 81 he got, spent only Rs. 15 or Rs. 17 for harvesting, etc. Answering a question from the Chairman he said he would like at least a 5 per cent return on the capital invested on land as the proposed 40 per cent would not give even a 3 per cent return.

Replying to a suggestion from Dr. V. K. John as to whether the landowners would accept bonds from the tenants who might buy their lands, the cost being paid over a period of years, the witness stated that he would prefer Government taking over the lands and issuing, if need be, even unredeemable 4 per cent bonds.

He thought that the Tanjore Tenants and Pannaiyal Protection Act which had ensured peace to a certain extent at least in Tanjore district could be extended to other areas.

Sri S. Swayamprakasam pointed out that conditions in other districts varied and the tenants there who had to work harder and who now got a share of 50 per cent would have to forego 10 per cent and get only 40 per cent. The witness stated that wherever the Tanjore

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Tenants and Pannaiyal Protection Act, 1952, could with advantage be extended, it might be done and in regard to other areas some other formula should be devised.

The witness referred to the Explanations 1 and 2 under the proviso to clause 4 (1) (iii) and stated that regarding catch crops the share of the landowners should be one-fifth as in the Tanjore Tenants and Pannaiyal Protection Act, 1952, and that the share of the straw should be the same as in this Act, viz., ' the customary headloads '.

He also wanted that the landlord should retain the right to choose the kind of crops to be raised on his land by the tenants, for the simple reason that his interest in the land was paramount.

The witness then took up clause 3 of the Bill and wanted the deletion of clause 3 (2) (*a*), as the tenant was cultivating only another's land and it was but proper and just that he should pay fair rent in respect of the second crop also and should not take shelter under the proviso to clause 4 (1) (iii) that no double crops were raised during the five years immediately preceding the agricultural year in which application for determination of fair rent is made.

He also wanted the deletion of sub-clause (3) of clause 3, since there were crops like the jasmin flower which started yielding only in the 13th month of cultivation, and on this account, the tenant should not be allowed to walk away with the entire crop without paying any rent to the landlord. Then in the case of certain other crops, the first yield occurred in the 14th month of cultivation and the next one exactly ten months later and the result was, under the sub-clause, the tenant could walk away with the second crop, paying rent only in respect of the first crop, i.e., the crop which was shown in the previous agricultural years. As the witness felt exhausted, he said that he would offer some general remarks towards the close of the morning session and that the representatives of the other two associations might be heard in the meanwhile.

Sri C. Ramaswamy Mudaliar, Joint Secretary of the Madras State Farmers' Association, stated that fair rent should be fixed having regard to the nature of cultivation of each type of land. Project-irrigated lands should have one kind of fair rent, lands irrigated by water baled out by piccottah should have another and rain-fed lands should have yet another kind of fair rent. The fair rent should be such as to ensure for the investor a return of 6 per cent on the market value. Taking all the factors into consideration, he would generally put the fair rent as 50 per cent of the gross produce.

Regarding catch-crops, one-fifth of the produce or whatever the practice obtaining might constitute fair rent in respect of project-irrigated lands and 50 per cent might be the fair rent in respect of other types of lands. Regarding straw, the present practice might prevail. Unless the landlord was given 50 per cent of straw, he would not be able to maintain the cattle which he often lent to the cultivating tenants for ploughing.

He wanted a specific provision to prevent wilful neglect of cultivation by the tenant in order to coerce and intimidate the landowner with the object of forcing him to sell away his property.

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The witness referred to the indiscriminate fragmentation of holdings going on in the State and said that it would affect food production adversely. Eighty per cent of the people who owned lands were poor small landowners and the provisions of the Bill should not be applied to these people as it would cause undue hardship. They should be exempted if they owned 5 acres and less of wet land or 25 acres and less of dry land from the operation of the Bill. Otherwise, the measure would open the flood gates of litigation.

Replying to a question by Sri S. Swayamprakasam, the witness stated that cultivation costs per acre came to Rs. 300 in his case and the average yield was 40 bags of paddy. The cost of spraying insecticides alone came to Rs. 50 per acre. Of course, the standard of cultivation in his case was rather high but the average land yielded 15 bags and even 20 bags of paddy in some cases where personal cultivation obtained and the cost of cultivation came to Rs. 100 roughly per acre.

Sri T. D. Kuppuswami Ayyar, President of the Sirugamani Mirasdars' Association, stated that a return of six per cent at least should be ensured for the landowner who was not idle but had to supervise his lands.

Referring to the memorandum submitted by his Association, the witness said that as regards fair rent, the landlord's share might be fixed at 20 per cent less than what he was now getting. The straw might be shared according to the usual practice. As regards catch-crops it should be divided on a 50:50 ratio as there was no justification to give the entire catch-crop to the tenant who did not have to put in any manual labour like ploughing. There should be a provision for resumption of land, as a tenant would become less inclined to work, if he was not to be removed under any circumstances. The owner should have the right to select the crops to be grown and there was no necessity to change the existing practice at all.

Making certain general observations, Sri N. Ramaswami Ayyar stated that, according to 1951 census, the total population of the Tiruchirappalli district was 29½ lakhs. Out of that, 14 lakhs were ryotwari patta-holders, 2½ lakhs were lease-holders, 4 lakhs were actual labourers and the balance were children. Two and a half lakhs of lease-holders were now sought to be given fair treatment affecting 14 lakhs of patta-holders thereby. Eighty per cent of the 14 lakhs of patta-holders owned only 5 to 10 acres of land. The normal yield from 5 acres of wet land in the case of single-crop lands would be 27 kalams and in terms of money it would be Rs. 1,250 or so. Accordiny to the existing provisions, the landlord was getting Rs. 800 and the balance of Rs. 450 went to the tenant. After making allowance for the payment of kist manure, etc., a landowner or pattadar would get only a sum of Rs. 50 per mensem. According to the proposed proportion of 40 per cent to the landlord and 60 per cent to the tenant, the land owner would get about Rs. 480 and the tenant would get a sum of about Rs. 720. After making due allowance for the payment of kist and other things, he would be getting a sum of Rs. 440 only which worked out to Rs. 36 or so per mensem. He strongly felt that there was absolutely no justification for interfering with the economy of the

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landowner. The more and more they disturbed the economy of the landowners, the more and more would they be intensifying the problem of unemployment.

The Chairman pointed out to the witness that the impression that the tenant was walking away with the entire sum of Rs. 720 or so was not correct as he had to meet the cultivation expenses also.

The witness stated that there was the kist and the cost of manure which the landowners had to incur. He was only concerned with the problem of the landowners and not with that of the tenants.

Sri C. Kandaswami pointed out that, in most cases, the landowners were recovering the cost of manure from the tenants.

Sri S. Swayamprakasam enquired whether any of the witnesses could give the approximate cost of cultivation per acre per year for single-crop and double-crop lands.

One of the witnesses stated that, even in Tiruchirappalli district, it varied from place to place. However, it would come to Rs. 40 to Rs. 50 per acre in the case of single-crop lands and Rs. 100 or so in the case of double-crop lands.

Sri A. Sambasivam pointed out that it was necessary to bear in mind that the tenant had to depend on the land for his main income whereas the income from the land was only a subsidiary source for the landowner.

Sri Ramaswami Ayyar stated that only about 20,000 of the 12 lakhs of patta-holders would be having other occupations and the rest of them were those who owned 5 to 10 acres of land and were solely dependent on the income from the land for their existence. In the case of these persons, a larger share must be given. He also pointed out that some of the tenants were also having other subsidiary occupations. If it was necessary that the tenants should be given something more, it should come from coffers which were over-flowing and in trying to improve the lot of the tenant the mirasdars should not be made less fortunate than the tenants. The Government might subsidize some cottage industries, for instance, the Amber Charka, and make the tenants earn some more money.

(4) *to* (7) *Sri A. S. Narayanaswamy Iyer, President, Sri A. S. Kuppuswamy Iyer, Sri K. S. Veeraraghava Iyer and Sri P. N. Marthandam Pillai of the Tirunelveli District Ryotwari Landowners' Association.*

The President of the Association, Sri A. S. Narayanaswami Ayyar, said that the representatives of the Association interviewed the Hon. the Chairman of the Select Committee during his tour of that district and discussed all aspects of the Bill. They also held a conference and passed resolutions suggesting amendments to the various provisions contained in the Bill and had submitted a memorandum to the Joint Select Committee detailing in brief their objections to the Bill. The Tirunelveli district was peculiar in that they had the 'pattam' tenure or fixed grain rent unlike in other districts where there was the system of 'waram' sharing. Rent deeds were executed in some cases and in other cases though there were no rent deeds there was always an understanding fixing the rent payable. The lease was from year to year with the right of entry to the landowner at the end of the year,

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after the harvest of the pishanam crop. The unit taken for this purpose was one seed ' kotta ' of land that was roughly equal to 1·68 acres. One ' kotta ' was equal to 112 Madras measures weighing 218 lb. So far as the best lands with assured water-supply in the Tambraparni basin were concerned, the ' pattam ' or fixed rent was 21 kottas of paddy for one seed kotta of double-crop land. This worked out at one-third of the total gross produce to the tenant and two-thirds to the landowner. This was the traditional ratio of sharing the produce which has been in vogue from time immemorial. The lands were very rich except for parts in Nanguneri taluk and gave yields up to 42 ' kottas '. The average price of an acre of land in that basin was Rs. 10,000 to Rs. 11,000. The cultivation expenses including the cost of manuring were borne by the tenants. Sometimes the landowner supplied farm yard manure for which he got straw in exchange from the tenant. The tenants did the manuring. The landowners advanced money to them for this purpose and also for cultivation expenses. But in many cases the tenants did not repay the advances. This was partly due to inability to repay and partly due to wilful neglect on the part of the tenants.

Asked by the Chairman whether the ryot was able to make both ends meet with only a third of the gross produce as his share which included the cultivation expenses also, the witness said it all depended upon the price factor. The cost of cultivation as worked out by the Agricultural Research Station, Ambasamudram, was 20 per cent of the gross yield which must be considered as the highest figure for the district. Generally the tenants did not apply as much manure as the owner-cultivators did and therefore the cost of cultivation to the ordinary ryots would work out to about 11 per cent.

Asked by Sri Swayamprakasam about the practice adopted by the landowners to see that the lands were properly manured by the tenants, the witness said that ryots who failed to do proper manuring were warned by the landowners and if the tenants neglected this aspect of cultivation continuously for four to five years, they were evicted. Actually evictions had not taken place on this account and the tenancy had continued from father to son. The problem in their district was mainly availability of water for irrigation. In places where the yields were not good, by mutual agreement between the landowners and tenants a portion of the fixed grain rent was remitted or they resorted to waram sharing.

The witness further submitted that 90 per cent of the holdings were medium and small holdings and the revision of the ratio to 40: 60 as between the landowner and the tenant would disturb their economy very seriously. There were several types of lands and if a uniform ratio were to be fixed it would work as a real hardship in many cases. If at all it was proposed by Government to increase the share of the tenants, the existing ' pattam ' rent might be reduced by 12½ per cent.

Sri T. Purushotham asked the witness to state the basis for this reduction and whether the witness considered there was a justification for it.

The witness said that many of the tenants had lands of their own and houses too. The landowners had agreed to a reduction of 12½ per cent in their share of the produce as a compromise on account of

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the persistent demands of the tenants on political considerations though the customary ratio of 33⅓ per cent for the tenants and 66⅔ per cent for the landowners had been working all right and gave sufficient relief to the tenant. Without any detailed investigation about the income, family budget and indebtedness of these small and medium-sized landowners, if the sharing of the produce were to be fixed at 40: 60 as between the landowner and the tenant, the small and medium-sized landowners who were already living on a subsistence economy would be driven out of their lands and forced to seek employment elsewhere. This aspect of the matter ought to be seriously considered by the Committee. While in the case of the bigger landowners this revision in the ratio would cause a steep drop in their entire income which they might not mind very much, the smaller landholders would be hard hit. Therefore such of those owners who paid a total assessment of Rs. 100 or less or whose holdings were five acres and below should be exempted from the operation of this Bill.

Answering a question put by Sri C. Kandaswami, the witness said that, while the landowner's income worked out to roughly Rs. 200, it worked out to Rs. 250 for the tenant.

The witness further submitted that the landowners neither had the right to decide the crops to be raised on his lands by the tenants nor a share in the produce of the catch-crop. He was deprived of all sense of ownership. He would therefore lose the incentive to maintain or increase production. Though the tenant did not become the owner of the land, he became the favoured tenant. Even with indifferent cultivation he would be enabled by the reduction proposed in the rent payable to the landowner to get as much as he was getting before. The production would thus be affected. If it was the intention of Government to increase production from land, the revised ratio proposed would seriously affect production and also the small and medium-sized landowners. Further the owners had no right to resume the lands for personal cultivation. This disability would be detrimental especially to the small owners. This should be rectified. A ceiling might be fixed in the case of big landowners and others paying a total assessment of Rs. 100 or whose holdings were 5 acres of wet and 20 acres of dry lands should be exempted from the operation of the Bill and allowed to resume land for personal cultivation.

Sri C. Kandasamy pointed out that a number of tenants would be affected if resumption were to be allowed as suggested by the witness. The witness pointed out that though the lands were to be resumed for personal cultivation, yet the tenants would continue to work on the lands and a fair wage might be fixed for them. The owners would pay any wage that might be fixed by the Government.

Sri S. Swayamprakasam said that many of the owners were not acquainted with the cultivation methods and they were therefore content to receive their share of the produce. They might not all of a sudden be able to resume the land and cultivate it properly. The witness pointed out that though it might be true of absentee owners residing in cities, there were many widows, orphans, and minors in the villages. They or their agents might take up personal cultivation instead of depending on this 40 per cent of the share.

The witness submitted that if Government would not agree to the suggestion made by the Association to reduce the existing ' pattam '

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rent by 12½ per cent and fix it as the fair rent, the Government might fix 55 per cent as the share of the owners in respect of first-class lands with unfailing sources of water-supply and 50 per cent in respect of other lands.

The Chairman pointed out that in certain States, the rents were fixed in multiples of tax paid on the land. He said the lands in the State have been classified according to 'tharam' and asked the witness whether he would agree to such a procedure being followed in this State. The witness said that it might be adopted though there might be difficulties in fixing a uniform rate for the entire State. Whatever rate the Government might fix, the landowners should be assured of a six per cent return on the capital invested.

Sri C. Kandaswamy pointed out that though it was stated by the witness that the tenants' share was 33⅓ per cent, actually the tenants in Ambasamudram and Kadayanallur areas got only 15 to 20 per cent. The witness said that he did not know even of a single case where the rent was less than one-third of the gross produce.

To a question put by Sri R. S. Arumugam, the witness said that if resumption of lands was permitted, such of those who were capable of cultivating the lands with hired labour would do so and obtain more yield and profit while others might continue to lease out the lands to tenants.

In conclusion the witness wanted that the definition of 'cultivating tenant' as embodied in the Tanjore Act should be adopted in the Bill for the entire State as otherwise it would create a number of intermediaries. The landowner should be given a share in the catch crops. The catch crops should be clearly defined in the Bill so as not to include commercial crops such as onions, chillies, etc.

Sri P. N. Marthandam Pillai (Tirunelveli) wanted to add a few remarks to what was already said by the previous witness. He wished that all these land reforms could be undertaken after about ten years during which period 'village reconstruction' work could be undertaken so that the difficulties in the way of implementing the provisions of the proposed Bill would have been removed by then. He suggested that a firka or a large village or a group of small villages might be taken as a unit for this work, and the work could be entrusted to the Village Panchayat by transferring the revenues of the area for the development of that area. He also pointed out that the Central Government also was proposing to take the village as the unit for development purposes. In effect he wanted this legislation to be postponed for the present. He was of the opinion that the tenants did not command enough financial resources. Actually, handing over the lands to impecunious tenants would result in the deterioration of cultivation methods and production. Even if co-operative societies were started to finance them, they had no securities to offer. This sort of experiment at land reform would be detrimental to the whole country as it would create great hardships for the small landholders. He stressed that while helping one set of people, the other set should not be denied their normal chances for a better life.

On the question of fixing the rent, he agreed with the suggestion of the Hon. Minister that the kist might be taken as the basis and this could be worked out further.

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As regards sharing of the produce, the witness said that the provision to share it on the threshing floor was fraught with difficulties, as a landowner having different pieces of land could not be present at the same time at all the different threshing floors and it was also difficult to get this work done by agents. Instead, he wanted that the share of the owner might be paid in cash.

When Sri P. G. Karuthiruman suggested that if the produce was shared in kind, it would be advantageous to both, the witness said that supervision and sharing was difficult as he had already pointed out.

Lastly, the witness said that Tirunelveli consisted of deltaic and non-deltaic areas and the latter were very backward. For the past eight years people there were raising crops with much difficulty in such backward areas. If it was now proposed to hand over the lands to tenants, there would be a serious setback in the cultivation operations and in the end it would affect production.

(8) *Sri N. M. Adyanthayya, Chairman, the South Kanara Landholders' and Agriculturists' Association.*

Sri N. M. Adyanthayya said that South Kanara district materially differed from other districts in that it was inhabited by communities which followed the Aliyasanthanam Law under which there were large families of many members without any division. This law had been recently amended, but the families had not yet been divided. Because of the provisions of this legislation under discussion, when they actually got divided, the divided members would have no land to cultivate since they were not given the right of resumption of land for personal cultivation. Therefore, it was necessary to make a provision that when the Aliyasanthanam families got divided, each divided part of the bigger family might have some 5 acres for personal cultivation. The peculiar position of South Kanara should also be borne in mind, with reference to the 'Mulgeni' or permanent tenancy system also.

He also drew the attention of the Committee to the fact that while the Bill referred only to single and double-crops in South Kanara there were three crops. The holdings in that district were all very small. There were about 160,000 pattadars out of which there were only about 80 who paid kist of Rs. 1,000 and more. Persons paying an assessment of Rs. 10 or so were about a lakh and those who paid less than Rs. 50 and Rs. 100 were nearly 24,000. Therefore, the majority were small holders and it would be a great hardship if these small holders were deprived of their lands and if their income was reduced. He wanted that the 'fair rent' should be fair both to the tenant and the landholder.

In most cases, the lease deeds mentioned cash rents fixed some twenty years ago at pre-war rates. This should be changed according to the present rates and crops grown now.

On the question of sharing at 40 and 60 per cent of the gross produce the witness said that the 40 per cent to the owner was too low and suggested that the proportion might be 50 and 50. With reference to sub-clause (2) of clause 4, the witness said that the owner would actually get only 30 per cent where water was baled; but in South Kanara the natural mode of cultivation was baling by picottah, as there were no irrigation channels. The witness wanted the Committee to remember this aspect.

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The witness said that as there were three crops in South Kanara and as the Bill referred only to two crops, he wished to stress that the third crop should not be misconstrued as a catch crop and that the owner should have his natural share of the third crop also. It was made clear to the witness that where the raising of a crop involved extra work and expenditure, it would be treated as a catch crop.

In the matter of raising more than one crop in a single crop land, provision should be made to prevent the tenants from evading payment of rent by rotation of crops every two years or so. To a question from the Chairman the witness said that the crop to be raised should be determined by the tenant in consultation with the landholder.

Sri P. Ranganatha Punja explained the difficulties of the Aliyasanthanam Law and the necessity for the recent amendment Act providing for compulsory division of families. He said that when families were going to be divided soon, the junior members so parting should have the facility for undertaking personal cultivation of lands.

Most of the lands, the witness said, were on hill sides and irrigation was mainly from wells and rain water. In all these cases, water had to be baled. So specific provision should be made in respect of these cases, as otherwise, simply because in the natural course of cultivation baling is resorted to, the owner would be deprived of a portion of even the 40 per cent fixed in the Bill.

The witness wanted that the Explanation 1 of clause 2, sub-clause (2) of clause 2 and sub-clause (1) of clause 4, should be read together and a decision taken. Otherwise, there will be great difficulty as most of the lands in the district were three crop lands.

The witness wanted that the expression 'catch crop' should be fully explained in the Bill.

The witness expressed the desire that they did not want to bargain with the Government but they felt that Mysore State with which they would be merged had not got the experience or knowledge of South Kanara which had been all along with the Madras State.

(9) *Sri K. Doraiswami Raju of Tiruchirappalli.*

He represented that he had about 3 acres of land in Tiruchirappalli and was employed in the railway. He was likely to retire soon and there was no provision for him to undertake personal cultivation of his own lands. He read to the Committee his letter published in a newspaper setting out the above views, and wanted that provision should be made for resumption of land for personal cultivation at least in the case of small landholders.

II

Saturday, the 21st April 1956.

(10) *Sri R. Krishnamurti Ayyar, Secretary, Tanjore District Landowners' Association.*

Sri R. Krishnamurti Ayyar, at the outset, expressed the heartfelt thanks of the Tanjore District Landowners' Association to the Members of the Joint Select Committee for having given them an opportunity to give evidence before the Committee at least in respect of the Madras Cultivating Tenants (Payment of Fair Rent) Bill, 1956.

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The witness stated that unlike other districts in the State, the Tanjore district had already had its instalment of land reform by the passing of the Tanjore Tenants' and Pannaiyals Protection Act, 1952, and the very fact that this Act had been very successful in that district, showed that the mirasdars there had realized the spirit of the times and were offering their co-operation to see that the Act worked well.

The witness agreed that according to the socialistic pattern of society, a certain amount of land reform was necessary to reduce the disparity in the income of the various classes of the people. But the question to be considered was the way in which that was to be done. There were two ways of doing it. One was to completely eliminate the landowner and distribute his lands to the landless peasants in such a proportion as not to give rise to disparity, at any rate, for a certain period though disparities were bound to arise after a certain number of years, say ten or fifteen years. The other was to keep him under the present economic structure of society and reduce his share of the income, that is, rent. He thought that the Bill before the Committee had adopted the latter method so that the landowners might not be eliminated altogether.

To an enquiry from Dr. V. K. John, the witness stated that he totally agreed with the principle underlying the Bill but that did not mean that the landowners should be eliminated. If they had to exist, the rent should be fixed at such a level as to allow them to play their role in the economic life of the country.

Then, he referred to the Preamble of the Bill and pointed out that the areas governed by the Tanjore Tenants' and Pannaiyals Protection Act, 1952, had not been excluded from the provisions of the Bill as was done in the case of the areas governed by the Malabar Tenancy Act. In the Tanjore district the rent had been regularized and it could also be exempted.

Intervening the Chairman pointed out that the Malabar Tenancy Act was a permanent measure whereas the Tanjore Tenants and Pannaiyal Protection Act was a temporary measure. Something more had therefore to be done for the Tanjore district and not for the Malabar district.

The witness thereupon stated that if that were the case, he would submit that the rate of rent fixed in the Tanjore Act was so satisfactory that there was no case for revision at all and that the same proportion as in the Tanjore Act could be adapted in the present Bill also if the object was to give a fair share to the tenant.

To an enquiry from Dr. V. K. John, whether the witness favoured the fixation of rent on a uniform basis and whether the proportion fixed in the Tanjore district could be applied to other districts also, the witness stated that in the nature of things the rent could not be uniform. So far as the lands in the State were concerned, a uniform or flat rate of rent could not be levied. There were so many kinds of lands irrigated through different sources and they were classified by the Revenue Department as such. For instance, even other Committees, like the Subrahmanyam Committee and the Sub-Committee on Land Reforms of the Tamil Nad Congress Committee which had already gone into the question, had recommended different rates of rent for different kinds of land. If the reform had to be implemented

on scientific lines and a happy solution had to be found for the vexed problem troubling the State, there should be proper classification of lands and varied rates of rent based on such classification.

At this stage Sri V. R. Nagarajan pointed out that no difficulty would arise as the normal gross produce had to be shared on a percentage basis between the landowner and tenant.

The witness stated that fertile lands would yield more than non-fertile or secondary types of land. For instance, the tenant in the Tanjore district would be getting something more than what a tenant in Tiruchirappalli or Karur or Coimbatore would be getting because the same plot of land which yielded 100 kalams of paddy in the Tanjore district would not yield the same quantity in Coimbatore due to the non-fertility of the soil.

To a question from Sri K. Rajaram, whether the mirasdars in Tanjore would not also be getting more than what the mirasdars in Coimbatore would be getting, the witness replied in the affirmative and said that a tenant would be satisfied with even one acre of land in the Tanjore district but he would not be satisfied with one acre in the Coimbatore district but would demand 15 acres of land. So, small holdings existed in the Tanjore district on a large-scale and the share given to tenants there was just and equitable in view of the fertility of the soil and the lesser amount of work that they had to do.

When Sri C. Kandaswamy pointed out that irrespective of the size of the holdings, both the tenant and the landowner in different places would be getting the same income, the witness stated that, that was not the case in the Tanjore district. In many villages there, more than 5 acres of land were being cultivated by a tenant. In some cases even 10 acres of land were being cultivated by a tenant. The witness further stated that the point raised by Sri Kandaswamy would be pertinent if the Bill also contemplated a limit on tenancy cultivation. So the question of fixation of fair rent was intimately connected with the limit on tenancy cultivation and could not be separated. If the share of the tenant had to be increased, naturally a limit had to be placed on the extent of land to be cultivated by a tenant. He suggested a limit of 5 acres of wet land to be cultivated by any tenant.

At this stage, the witness referred to the argument raised in some quarters that though the Planning Commission had recommended only 25 per cent for the landowners, the Bill had provided more than that. But he contended that there was a wrong reading of the recommendation. The Planning Commission, in order to ensure that a fair wage or share was given to the cultivator had suggested the figure of 25 per cent for landowners in places where even that was not given and not to fertile areas like Tanjore.

The witness then dwelt on the advantages of waram cultivation and the disadvantages of lease cultivation and felt that the present Bill favoured the latter system than the former one, viz., the waram system. There was no point in fixing the fair rent on the basis of gross produce. The fixation of rent might be left to the parties concerned.

When Sri Ramalingam pointed out that there was provision in the Bill for revision of the rent, the witness contended that according

to his reading, there was no such provision. Therefore, he suggested that in the case of disputes only, they might go to the Court for revision. Such a provision had been made in the Tanjore Tenants' and Pannaiyals' Protection Act which should be adopted in the present Bill also. In his opinion, the fixation of fair rent would be a precursor of the death-blow being given to the waram system which was the best one if the landowners were to exist.

When Sri C. Kandaswamy pointed out that the waram system did not exist in any place in the Tanjore district, the witness stated that in many places it was being followed. For instance, in the Mellathur village in the Papanasam taluk, it was being followed. The witness challenged Sri Kandaswamy to cite a single case of lease cultivation there.

Intervening, another witness, Sri Narayanaswami Iyer, pointed out that in order to avoid the difficulty of going to the threshing floor and getting the produce harvested under the personal supervision of the landowner, the yield was estimated and a lease deed was executed. It was therefore not a lease system but only a waram system.

To an enquiry from Sri C. Kandaswamy whether the Tanjore District Landowners' Association of which he was the Secretary, would be ready to share the produce on that basis, the witness, Sri R. Krishnamurthi Ayyar, replied in the affirmative.

At this stage the witness referred to that part of the Memorandum submitted by the Association dealing with 'Fair Rent' and pointed out that taking 5 acres of single crop wet land in the Tanjore district yielding 75 bags as a normal holding for a tenant, under the Tanjore Act, the net income of the landowner would be 34 bags and the tenant 28 bags after meeting harvest charges in common. Whereas under the present Bill, for the same extent of land yielding 81 bags inclusive of harvest charges, the net income of the owner would be only $25\frac{1}{2}$ bags as compared to the income of $36\frac{1}{2}$ bags for a tenant.

Replying to certain questions from the Chairman, the witness stated that the proportion of fair rent fixed in the Tanjore Act should be adhered to in the present Bill also. The landowner should have the right to determine the crop to be raised and that instead of one-fifth of the share of the catch-crop as at present, it should be divided half and half.

As regards dry lands, the witness had no comments to make. Sri V. Narayanaswami Ayyar (another witness) intervening said that as regards dry lands, landowners would be prepared to have a 40 per cent share excluding the kist.

(11) *Sri V. Narayanaswami Ayyar, Secretary, Nannilam Taluk, Manakkal Circle Ryots' Association.*

Sri V. Narayanaswami Ayyar stated that the main criterion in the fixation of fair rent should be whether the tenant got a fair margin of wages for the labour put by him. It should not be considered that merely because landowners were getting a good return from their lands, the tenants also should be given some thing more than what they were getting. Further, in this connection, the investment made by the landowners should also be taken into consideration. In the

case of lands which yielded a larger percentage of return, naturally the money invested on them was also greater. Besides, most of the lands were owned by small and middle class people. Therefore, the main criterion should be as already stated whether the tenant got a fair share for the labour put by him. Even according to the report of the Tamilnad Congress Sub-Committee on Land Reforms, the tenants were now getting even more than fifty per cent of the total produce. This was also in accordance with what their Chief Minister had been saying, namely, that the produce should be divided between the landowner and the tenant on a 50 : 50 basis. He agreed with the figures given in the Tamilnad Congress Sub-Committee's report on Land Reforms, namely, that that the tenant should be given 16-2/3 per cent of the produce for his labour, 16-2/3 per cent of the produce towards the cost of seeds, manure, etc., and 6-2/3 per cent of the produce towards the cooly hire for employing casual labour. He was of the view that the sharing of the crops between the landowner and the tenant should be on a 60 : 40 basis as was prevailing now under the Tanjore Tenants' and Pannaiyals' Protection Act, 1952. He was also for exempting from the provisions of the enactment all small landholders owning 6-2/3 acres and less.

To a question from the Chairman as to the cost of cultivation, Sri R. Krishnamoorthy Ayyar, Secretary, Tanjore District Landowners' Association, stated that the cost of cultivation worked out to 28 per cent, according to the figures given by them in their memorandum.

To another question from the Chairman, the witness stated that on an average the amount of kist paid would work to about 8¾ or 9 per cent of the value of the gross yield.

(12) *Sri N. S. Ayyar, Secretary, Nannilam Taluk Landowners' Association, Nannilam.*

Sri N. S. Ayyar, stated that the framers of the Bill had assumed that all landowners or mirasdars were rich and that all tenants were poor and said it was a fundamentally wrong assumption. The majority of ryots owned lands less than ten acres in extent and, according to the figures he had with him, 89 per cent of the pattadars in the entire State owned lands less than 10 acres in extent. The condition prevailing in Tanjore district were more or less the same as in the rest of the State. The words "Rent" and "Tenant" were a misnomer in the context of ryotwari holdings. The ryots received no rent from anybody but they gave a portion of the produce to the cultivator in lieu of daily wages. The land itself was not given for rent. A single cultivator could not by himself cultivate the lands. They had to engage daily labour for digging, plucking the seedlings, transplantation and weeding and harvesting. There were old ladies who owned few acres of land. They could not by themselves cultivate the lands and therefore they had to hire labour for cultivation purposes. The total number of cultivating tenants would be very few while the number of persons who worked on daily wages would be larger in number. Therefore, in defining 'cultivating tenants', those that cultivated lands by hired labour should be left out of that definition. Further, including "heirs" of the tenant in the definition would lead to difficulties. According to the provisions of the Bill, in the event of the death of a tenant leaving an old wife or an infant, the

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heirs would be entitled to ask for the possession of the land irrespective of the fact whether they were able to cultivate the land efficiently or not.

With regard to the definition of 'landowner', those owners who owned small extent of lands should be exempted.

Coming to the share of the produce for the tenants, the witness stated that he had been told by many tenants themselves that the share allotted in the Bill for the tenants was very high. In this connection he stated that he did not possess even a single cent of land and that he was not saying things with any selfish motive.

Clause 4 (1) of the Bill stated that in the case of single crop wet land, 40 per cent of the normal gross produce should be the fair rent. He was of the view that no land could be classed as single crop wet land and that a double-crop could be grown on any land but the yield only would be very poor. Suppose, Sir, a land yielded 10 kalams of paddy if only a single crop was raised. According to the provisions of the Bill, the tenant would get 6 kalams and landowner would get 4 kalams. Supposing, a double crop was raised in that land, each crop would yield 5 kalams of paddy. The tenant according to the provisions of the Bill would get three kalams in the first crop and the entire five kalams in the second crop, while the landowner would get only two kalams. This would work to only 20 per cent of the gross produce and not even 40 per cent as had been provided in the Bill.

Sri C. Kandaswamy pointed out whether he had taken into account the cultivation expenses in raising two crops. The witness pointed out that actually 'Ottadi' and 'Kuruvai' seeds were both sown at the same time though they were harvested separately on two different occasions.

With regard to catch-crops, he was of the view that the landowner should be given 50 per cent of the produce.

Usually catch-crops were either blackgram or greengram. But according to the provisions of the Bill, even second crops might come under 'catch-crops'. It was very wrong to allow that. Catch-crops must be properly defined, and landowners must be given 50 per cent of the same as his share. The same thing applied in regard to division of straw also.

Lastly, he would plead for including a provision in the enactment itself to enable the owner of the land to resume it for his personal cultivation. This must apply particularly to persons who owned 10 acres and less of land.

(13) *Sri K. Kanakasabesan, Ryot and Treasurer, Taluk Agricultural Association, Mayuram.*

Sri K. Kanakasabesan stated that the provisions made in the Bill regarding fair rent, were very unfair to landowners. In his taluk, every tenant cultivated at least four to five acres. In every year a tenant was at present getting 15 kalams of paddy as his share of profit and for 5 acres he would be getting 75 kalams of paddy. Further he would get something more from catch-crops and also by working on other people's lands during the harvest season. On the

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whole he would be getting about 100 kalams and this would fetch a price of Rs. 600 according to the market rates now prevailing. For earning this amount he had to put in only four or five months' work. A Government official with so much of responsibility would not even get this much for his work throughout the year.

Further, it was not, as if most of the tenants were very poor. On the other hand, most of the mirasdars were very poor owning only two acres or less of land. Even the houses occupied by mirasdars were very poor compared to that occupied by tenants. The tenants usually owned 3 acres of land and in addition they would take 10 acres of land on lease. Further, while in industries and other sectors people were allowed to earn Rs. 25,000 and more it was not known why there should be a limitation on the income from one sector, namely, agriculture alone.

For nearly six or seven months in a year the cultivators had no work to do and to enable them to earn some money during this period, The Government might start some industries and utilize the services of those employed in agriculture during the off-seasons.

There should also be a provision in the Bill for change of tenancy even though in actual practice only in exceptional cases tenants were changed. There should be no provision for giving fixity of tenure to tenants in the Bill. The landowner should be given powers to enable him to change tenants whenever he wanted, for failure to pay rent, etc.

To a question from the Chairman the witness stated that the average income of the landowner from a land, 5 acres in extent, would be Rs. 200 or Rs. 250 while that of the tenant would be about Rs. 600. To another question from Sri K. Rajaram whether the sharing of the produce between the landlord and tenant could be fixed on that basis, the witness stated that it should be fixed as laid down in the Tanjore Tenants and Pannaiyal Protection Act.

(14) *Sri A. N. Subramania Ayyar on behalf of the landowners of Mayuram taluk, Anatandavapuram P.O., Mayuram taluk, Tanjore district.*

The witness was of the view that the Tanjore Tenants and Pannaiyal Protection Act was working very well and that it would not be advisable to replace that Act by any other enactment at the present juncture whereas it was the sincere wish of himself and other landowners of Mayuram that the actual tiller of the soil should be benefited by any land reform, they felt that the present fair rent Bill would not benefit him at all. The intermediary stood to benefit much. Moreover, the fixation of a uniform fair rent on the basis of 40 per cent to the owner and 60 per cent to the tenant for all classes of land was not justifiable. Hence there was no necessity for the present Bill now.

The witness stated that if the Government sincerely wanted the tiller of the soil to become the owner of the land, they could directly buy the lands from the landowners and distribute them to the tenants. There would be a more straightforward method rather than reducing the share of landlord in the produce to the barest minimum of 40 per cent which would hit him hard. But so long as the landlord has the

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right of ownership over his land, he should be entitled to a just share in the produce, viz., 60 per cent of the produce as fixed under the Tanjore Tenants and Pannaiyal Protection Act.

Attention was also drawn by the witness to sub-clause (ii) of clause 4 of the Bill which states: subject to the provisions of sub-section (2) fair rent shall be—

(ii) in the case of single crop wet land, 40 per cent of the normal gross produce of the principal crop or its equivalent in money value.

The witness wanted a more precise definition for the word " principal crop ".

The Chairman replied that the crop that produced the maximum yield was the principal crop. Naturally the first crop yielded more than the second crop.

The witness answered that it was not always the case that the first crop yielded more than the second crop. The landowner should also be given a share in the catch-crop.

The Chairman said that, that aspect of the matter would be looked into.

(15) *Sri R. Chidambaram, Peruvalanallur P.O. (via) Puvalur.*

Asked by the Chairman to be brief, the witness stated that because of the present Bill, the following would be the result:—

(1) the " tharam " of the land would go down,

(2) production would decrease,

(3) quarrels between landlords and tenants would increase,

(4) village politics would deteriorate, and

(5) litigation would increase.

The witness was of the view that once the tenant was assured of a fixed " waram " the incentive to produce more would not be there and therefore it would be advantageous to have " kuttagai " system rather than " waram ".

So far as " betel-vine " was concerned, it was a three-year crop, For the first year there would not be any benefit. Only in the second and third years, the crop would yield some benefit. But every year the tenant who had taken it on " kuttagai " was paying between Rs. 300 and Rs. 600 to the landlord. The same was the case with regard to " plantains " also. For sugarcane, which began to yield after one year, the " kuttagai " ranged between Rs. 4 and Rs. 4½ per cent of land.

The witness was of the view that it would be better if the Select Committee were to tour each and every taluk and after studying local conditions fix the fair rent in respect of the crops he had mentioned above.

(16) *Sri M. Ganesa Iyer, B.A., B.L., Retired District Munsif, 163 IX-a, Cross Thillainagar, Woraiyur, Tiruchirappalli.*

The witness said that he viewed this question from two aspects. First of all there was no necessity for the cultivating tenants to be given any special treatment. If this was not accepted, then the

question of fixation of fair rent arose. The witness stated that these two aspects had been broadly discussed in the memorandum he had submitted.

The witness said that whereas the Tanjore Tenants and Pannaiyal Protection Act placed certain restrictions on the rights of tenants, the present Bill gave them a right.

Sri S. Swayamprakasam asked the witness whether his object was to see that the exclusive rights now enjoyed by the landlords were not in any way diluted.

The witness replied that so long as private ownership was recognized in the land and so long as the landlord had the right of ownership over the land, it was but fair and just that he should be allowed to exercise his right and that he should be given a decent share in the produce.

According to the witness the present fixation of rent as 40 per cent of the gross produce for all lands was not correct. The rate should vary for first, second and third-class lands as defined in the Revenue Board's records. While it was just and reasonable that the tenant should be ensured a decent standard of living, the fair rent should be determined in such a way as not to reduce the landlord's share to a pittance. Therefore, it would be better if they were to fix the size of a "family holding". The tenant should be given a "living wage". For this purpose a village committee could be formed in each village.

Asked by Mr. S. S. Kolkebail whether this would not lead to quarrels among members of the Village Committee, the witness replied that if no third party intervened, the Village Committees would function smoothly. The witness also stated that he had discussed this question in broad detail in the memorandum he had submitted to the Joint Select Committee.

The witness stated that after studying the problem in detail, he had come to the conclusion that the extension of the Tanjore Tenants and Pannaiyal Protection Act to other parts of the State would be the most beneficial method which would yield the desired results.

Sri S. Swayamprakasam said that he could not accept such a view because the tenant in Tanjore worked for a lesser number of hours to raise his produce because of abundant water-supply from the Cauveri whereas the tenant in Salem or Coimbatore had to toil from morning till night to bale out water for his fields either from a well, or a nearby tank. As such the tenants in Salem or Coimbatore should be entitled to a higher share than a tenant in Tanjore.

The Chairman said that the several points mentioned by the witness would be taken note of by the Committee.

(17) *Sri R. Krishnaswami Ayyar, No. 4, New street, Chidambaram.*

Introducing himself as a retired officer of the Hyderabad State and as a cultivating tenant at present, the witness stated that as things stood at present the Government should do nothing at the present juncture to disturb the relationship between the landlords and tenants. As a result of the present Bill, quarrels between the tenants

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and landlords would be on the increase. The present legislation singled out a minority of owners who by hard work in different walks of life earned their income, saved part of it and applied it to the buying and development of agricultural lands. Inasmuch as it was the responsibility of the State to give protection to the minorities, the witness stated that it would be better not to disturb the Tanjore Tenants and Pannaiyal Protection Act which provided for a 60 per cent share to the landlord and a 40 per cent share to the tenant and which proportion was quite a reasonable one.

(18) *Sri S. Muthukumaraswamy Pillai, President, Tholudur Project Landowners' Association, Kottattai, Tholar Post, Vridhachalam taluk, South Arcot district.*

The witness was of the view that the most practical step would be to divide the gross produce between the tenant and landlord in the proportion 50: 50, rather than the present proportion as stated in the Bill, viz., 60: 40. So long as "kuttagai" was regularly paid, the lessee could continue, but if he failed to pay the "kuttagai", the landlord should have the right to dispense with his services and appoint a new lessee. The landlord should also have the right to determine which variety of paddy should be grown. It is he who should decide that and not the tenant. A proper share in the straw should also be given to the landlord. The maximum number of acres which a tenant could cultivate should also be fixed, as otherwise some tenants would become very rich.

(19) *Sri M. A. Venkatarama Ayyar, Model Farm holder, South street, Mudikondan, Tanjore district.*

The witness was of the opinion that division of produce on the threshing floor was not a practical proposition as there was the possibility that in the "poradi" the tenants would contrive to secrete the paddy in the haystack.

Sri S. Panchaksharam said that after all they had to depend on the honesty of the tenants.

The witness said that fixation of rent as 40 per cent for all type of lands was not correct and that they should have varying rents for the first, second and third-class lands as defined in the Revenue Board's records.

According to the witness, 10 per cent of the gross produce must be retained by the landlord for manuring purposes from the tenant's share, as the tenants did not usually take care to manure the lands. So long as the land was owned by the landowner it must be manured by him. The minimum produce that should be raised should also be fixed, as otherwise the tenant would be indifferent. Such a provision was not there at the present moment in the Bill. As in the Tanjore Tenants and Pannaiyal Protection Act, 1952, owners of small units that is, those owning one veli and less should be exempted from the operation of this Bill. Persons whose income from their lands was less than Rs. 1,000 annually should be given exemption. The tenant after paying his rent should get a rent clearance certificate from the landlord and only after getting the rent clearance certificate he should be allowed to work in the next season. The landlord should have the right to decide the nature of the crop to be raised and there should

be an upper limit for the holdings to be taken on lease by a cultivating tenant. In conclusion, the witness added that Government could try to raise the wages by general legislation.

(20) *Sri S. Suryanarayanan, Tamilnad Kodikal Vivasaigal Sangham, Madurai.*

The witness said that betel-vine was a three-year crop. In the first year the yield would be very limited. In the second year the yield would be one-half of the total yield and in the third year the yield would be about one-half of the second year produce. On account of betel-vine cultivation, the soil became loose. Two years' cultivation of paddy was necessary to make the soil hard again. A betel-vine cultivator would not take to the cultivation of paddy and so he was obliged to give up the land to a paddy cultivator at the end of three years. Once he gave up the land, there was no guarantee that he would get it back for resuming betel-vine cultivation. A census of lands where betel-vine was grown during the last 12 years should be taken and they should be set apart for betel-vine growers so that by alternately growing betel-vine for three years and paddy for two years, they would be having enough land available for betel-vine cultivation.

The rent for betel-vine land was computed in terms of cash on the basis of average paddy cultivation and the tenant had to pay the cash rent for three years in one lump-sum. Provision might be done to enable them to pay the rent in three instalments every year as in the case of paddy lands. The cash rent would be roughly 50 per cent after deducting cultivation expenses. In Madurai district the rent varied from Rs. 500 to Rs. 1,500 per acre.

The witness then presented a supplemental memorandum.

(21) *Sri Krishnaswamy, North Mangudi village, Papanasam taluk, Tanjore district.*

The witness said that the cultivation expenses for two crops would come to $27\frac{1}{4}$ kalams in terms of paddy and the total yield would be 57 kalams. The net paddy, after deducting cultivation expenses, was about 30 kalams and this could be shared in the proportion of 55 per cent for landowners and 45 per cent for the tenant.

He had been cultivating 26 acres for the last two years. He had a pair of bullocks and a servant under him. He used to take ploughs on hire during the ploughing season. He had also borrowed for cultivation expenses.

The witness said that the owner of the site on which a tenant put up his house should be compulsorily made to sell the site to the tenant.

(22) *Sri P. Sivagurunatha Pillai, President, Tanjore District Vivasaigal Sangam.*

The witness said that the people of the State generally were under the impression that Tanjore was a very heavy paddy-producing area and that the people there were rich. This was an erroneous impression, as about 5 lakhs of people in the Tanjore district had no food to eat.

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The maximum extent that a self-cultivating tenant could hold could be fixed at 5 acres. The rent should be 75 per cent of the gross produce for the tenant and 25 per cent for the landowner. He owned a small extent of land and also took some land on lease. Though the Tanjore Tenants and Pannaiyal Protection Act was in force in the Tanjore district, it was not followed in actual practice. It was not at all respected. A tenant who wanted to present a petition under that Act had to spend nearly Rs. 15. As he could not afford this expenditure, he did not go to the court.

During normal seasons, 60 per cent of the produce for the landowner and 40 per cent for the tenant would be all right. But in times of drought, storms or floods and pest attack, the tenant incurred loss and he must be protected against this loss. Therefore, the proportion of 60 per cent for the tenant and 40 per cent for the landowner as proposed in the Bill should in no case be changed in favour of the landowner.

The entire produce of the catch-crop should go to the tenant. In some memoranda presented to the Joint Select Committee by certain people of Tanjore district, it was mentioned that the produce of the catch-crop would be as much as 4 or 5 bags. The produce would not be so much. It would be only about ¼ or ½ bag.

Replying to a question, the witness said that nearly 75 per cent of the Harijans were only labourers.

(23) *Sri Mannadi Nayar, Deputy Commissioner for Hindu Religious and Charitable Endowments, Coimbatore,* (24) *The Personal Assistant to the Commissioner for Hindu Religious and Charitable Endowments and* (25) *The Assistant Commissioner for Hindu Religious and Charitable Endowments, Madurai.*

The witnesses said that they had come there to represent the views of only the department.

Sri K. Balasubramanya Ayyar said that when the department was heard, it was but proper that the views of the lessees of lands belonging to religious institutions should also be heard.

The Personal Assistant to the Commissioner promised to send 40 copies of the memorandum prepared by the department to the Joint Select Committee.

The Deputy Commissioner, Coimbatore, said that a circular was issued to the trustees and executive authorities of almost all the leading institutions to make the necessary representations before the Select Committee. He was only voicing the views of the department and it was open to those who took exception to these views to appear before the Joint Select Committee and represent what they had to say.

The point that the department would like to stress was that the Bill, if it became law, would hit the religious institutions hard and that therefore the Government should either exempt those institutions from the operation of this law or they should undertake to compensate the institutions for the loss sustained by the diminution in their income. The Bill was evidently designed to protect the tenants from the oppression of private landowners. If religious institutions were

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to be regarded as private landowners, then difficulties would be experienced not by the owners, namely, the religious institutions, but by the innumerable families that were supported by these institutions. The Srirangam Devasthanam was supporting not less than 500 families.

The Madras Hindu Religious and Charitable Endowments Act enjoined on each religious institution to provide for (1) dittam (carrying on the rituals and ceremonies), (2) the due discharge of all liabilities binding on the institution under which item would come the establishment charges, (3) the repair and renovation of temples, (4) the reserve fund, (5) contribution to Government, and (6) payment of audit fees, etc. If the institutions were to get only 40 per cent. they would not be in a position to meet all these statutory obligations.

Religious institutions had three types of land—lands given, endowed or belonging to them. If the income from these lands diminished, services would have to be curtailed and the people who would be hit would be, not the donors, but the families who served the institutions, and the services were bound to suffer if this Bill was passed into law. A distinction should be made between private lands and institutional lands. Therefore, he pleaded for exempting from the operation of the Act lands belonging to the institutions under the control of the State. There was an exemption for communal lands in the Malabar Tenancy Act. An exemption similar to that in the Estate Land (Rent Reduction) Act might be given in respect of institutions controlled and supervised by the State.

Reply to a question by Sri S. Swayamprakasam as to what he would do if there was a drought continuously for four or five years and there was no income at all, the Deputy Commissioner, Coimbatore, said that he would borrow in the hope that there would be better times in the future.

Continuing the Deputy Commissioner said that a religious institution paid all the taxes which a private landowner paid and also something extra by way of contribution to the Government.

Sri S. S. Kolkebail asked the Deputy Commissioner to illustrate by figures as to how a particular religious institution stood to lose by the present Bill.

Sri S. Panchaksharam asked the Deputy Commissioner to take some prominent temples in Tanjore district and give the Joint Select Committee figures relating to their income before and after the passing of the Tanjore Tenants' and Pannaiyal Protection Act, so that the members of the Joint Select Committee could know as to how much the temples had lost due to the Tanjore Tenants' and Pannaiyal Protection Act of 1952. It would give them an idea as to how much those temples would lose by the present Bill also.

The Deputy Commissioner agreed to furnish necessary information in that connexion to the Committee.

Sri P. B. K. Rajachidambaram said that inasmuch as the temple lands were leased out in public auction, there was healthy competition among the bidders and as such the income of the temples actually rose. He asked the Deputy Commissioner to state whether this was not a fact.

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The Deputy Commissioner replied that no doubt they were getting good income because of these public auctions but his main object in placing his views before the Committee was to impress the fact that if this Bill were to become law, thousands of families who depended on the religious institutions for their livelihood would be thrown in the streets. That was why before the Bill became law, they wanted to place their views before the Committee. Moreover certain provisions of the present Bill ran counter to several sections of the Hindu Religious Endowments Act, which had cast on them the duty to protect all the religious institutions. For instance the provision in the Bill that 60 per cent of the gross produce should go to the tenant, would reduce the income of several big temples which in turn would affect several hundreds of families who depended on the income of those religious institutions for their livelihood. Some sort of permanent tenancy was now being created. That was why they wanted all lands owned by temples and other religious institutions under the control of the Hindu Religious and Charitable Endowments Board to be exempted from the operation of the present Bill.

Under the Hindu Religious Endowments Act, they were bound to protect the religious institutions. They were bound to observe the religious rituals. But under the present Bill, the income of the religious institutions would considerably be lessened and as such he was afraid that they would not be in a position to observe all the religious ceremonies, which under the Hindu Religious Endowments Act they were in duty bound to perform.

The Chairman asked the Deputy Commissioner to illustrate by facts and figures (without arguing on a hypothetical basis) as to how a religious institution stood to lose by the present Bill. As suggested by Sri S. Panchaksharam, the Chairman wanted the Deputy Commissioner to give the figures in respect of the income of some prominent temples in Tanjore district and other districts also before and after the passing of the Tanjore Tenants' and Pannaiyal Act so that they could know as to how much those religious institutions had lost by the introduction of that Act.

The Deputy Commissioner replied that the Commissioner might perhaps be in a position to furnish the necessary figures to the Committee if a written request was made to him.

The Deputy Commissioner said that some provisions of the present Bill ran counter to some sections of the Hindu Religious Endowments Act. They had mentioned all those points in their memorandum. He would plead that paragraph 12 of their memorandum should be looked into carefully.

The Deputy Commissioner also wanted a correct definition for the word "cultivating tenant" as follows:—

"Provided that a lessee of lands who does not cultivate the entire lands taken on lease directly by himself or by any members of his family shall be deemed to be intermediary and not entitled to the benefits of the Act."

The Chairman said that it was not their object to reduce the income of the religious institutions by the present Bill and said that the Joint Select Committee would take into account all the points mentioned by the witness.

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(26) *Sri M. Venkataswami Reddiar, Secretary, South Arcot Agriculturists' Association.*

He said that the benefits of this Act should be confined only to the cultivating tenants and not to middlemen. In South Arcot ownership of 5 acres was considered a luxury. If a owner should not have more than five acres, necessarily the cultivating tenant should not be placed on a higher position.

This Act ought not to override the existing written tenancy contracts. In South Arcot district, written contracts were based on usage and the terms of tenancy were equitable and fair. Generally the Government ought to encourage written contracts and not encourage the evading, ignoring or bypassing of written contracts. This Act should be applied only in those cases where there were no written contracts.

He made another suggestion quite apart from this Bill. If there were disputes or misunderstandings in regard to terms of the tenancy between a landlord and his tenant, they could be decided by land tribunals. He was suggesting land tribunals only for settling the terms of tenancy and not for any other purpose. Where a dispute under the Act arose, people would prefer the jurisdiction for deciding it being given to a Civil Court rather than to a Revenue Court. The general impression was that Revenue Courts were under the influence of politics and politicians. Civil Courts commanded greater confidence from the public than the Revenue Courts and there was a better appreciation of law and facts by the Civil Courts.

Tenancy system was not an evil by itself. Economists and others who had bestowed thought on land problems had conceded that tenancy system was a necessary incidence in the human relationship in the enjoyment of property. When a landowner fell ill or was otherwise incapacitated, he had necessarily to lease out his land. Females who could not look after the lands had to lease out the land. So it was not for the purpose of only rack-renting or exploiting the tenants that lands were leased out. Small landowners leased out their land for want of credit facilities. Now the credit facilities had become frozen with the advent of some of the Acts to give relief to indebted ryots. While the Government had fixed the maximum rate of interest for lending to agriculturists, it must be within the knowledge of the members of the Committee and others that the rate of interest at which they were able to secure loans was much higher.

The tenancy right should not be made inheritable. Such a thing as occupancy rights or kudiwaram right was unknown in ryotwari tenure. The landowner should not be debarred from resuming the land for personal cultivation after every five years

The Association which he represented did not agree with the rent fixed in the Bill. It had suggested 60 per cent for the landowner and 40 per cent for the tenant, in respect of lands which had first-class irrigation sources. This proportion was based upon local practice. Fifty per cent for the landowner and the tenant might be adopted where the irrigation sources were not dependable.

So far as dry lands were concerned, fifty-fifty was the basis on which the produce was shared in his district. This was quite fair and could be continued.

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The Government could help the tenants by giving them greater credit facilities. If the Hon. Minister, the Chairman of the Committee, wanted to move with the times, he could reduce the share of the landowner by 5 per cent.

Sugarcane and betelnut were grown in South Arcot. The value of 10 tons of sugarcane was generally taken to be the money rental per kani or 1-1/3 acre. The yield would range from 40 to 50 tons. In terms of money, the landlord's share would be about Rs. 400, and the tenant also would get about Rs. 400 or Rs. 500 after deducting the cultivation expenses. The same rental basis was adopted for betelnut also. For both sugarcane and betelnut the rent adopted was only cash rent.

(27) *Sri K. K. Menon, Executive Officer, Tiruchendur Devasthanam.*

The witness said that Tiruchendur Devasthanam had probably the largest estate. It got more than 5,000 kottas of paddy, each kotta being about 112 measures. It got nearly Rs. 2 lakhs worth of produce from the land. It was stated by one of the hon. Members that the expenditure in temples was practically not benefiting the poor people. He wished to point out to the hon. Members that if the Bill was passed as it was, it was likely to benefit only the middlemen and not the tenants. In Tiruchendur temple on an average 160 measures of rice were cooked every day for "neivedhyam." After the cooked rice was offered to the Deity, they were distributed as balls of rice. One measure of rice was converted into eight balls of equal size. The archakas took about 50 balls and the remainder was sold at 9 pies per ball. Each archaka might get Rs. 2 to Rs. 3 per day by selling the rice balls which fell to his share. He got a salary of only Rs. 5 per month and this was a source of supplementary income to him. He had duty only for five days in a month. These 160 measures of rice were feeding 1,280 people or roughly one-tenth of the population of Tiruchendur at a nominal cost of 9 pies.

It was not possible to say how this Bill would affect the income from the temple land, because they had no information as to how much the actual tenant produced. The lands were leased out in public auction. They were split up into units of 10 to 15 acres and each unit was auctioned separately.

Religious institutions should be treated differently from private landowners. This special treatment had been accorded in the Malabar Tenancy Act and also in some Acts of the Andhra State. In the Inams Bill, a special rate of compensation had been provided for temples. Temples were institutions which were supervised by the Government.

The witness said that he would be submitting to the Committee a list of amendments that he proposed to the Bill.

(28) *Sri S. T. Krishnaswami of Srirangam.*

The witness said that he had already submitted a memorandum giving his views on the Bill. If the object was to help the tenants and poor labourers, he was afraid that this Bill would not fulfil that object. Only the intermediaries would be benefited by this Bill.

The clause defining ' cultivating tenant ' should be so modified as to confer benefit only on thè actual cultivator, that is the person who employed his personal labour.

At some time or other, a minimum wage had to be fixed for agricultural labour and if it came into effect some years later, the tenants who would have to pay their hired labour at this rate would again clamour for a reduction in the rent payable to the landowners. So he suggested that the passing of this Bill might be postponed till a minimum wage for agricultural labour was fixed.

(29) *Sri Rajagopala Iyengar, Karur.*

The witness pleaded for a more precise definition of ' main crop '. Usually by the term " catch-crop " was meant only blackgram and greengram. As a result of new experiments cotton was also grown on paddy lands in the off-season and attempts were being made to include " cotton " also in the category. The witness pleaded very strongly for the non-inclusion of cotton, a high value commercial crop, in the term " catch-crop ". He also wanted that in every crop the landowner should have his share.

(30) *Sri M. Subbarayan, Chidambaram Taluk Mirasdars' Association.*

The witness stated that because they were nearing the fag end of the day, he would list out the eight points which he wanted to place before the Committee and which were as follows:—

(1) Uniform fixation of fair rent for all lands should not be there. It should vary according to the nature of the soil.

(2) The present fixation of 40 per cent of the gross produce as the fair rent is arbitrary. Sixty per cent of the gross produce as fixed under the Tanjore Tenants' and Pannaiyal Protection Act would be the correct rent. If however a further increase was felt necessary, 50 per cent of the gross produce could be fixed as fair rent. That should not be lowered.

(3) The landlord should have the right to decide the crop that should be raised.

(4) The landlord should have right to get a share in the second-crop also.

(5) The landlord should have a share in the straw and catch-crop.

(6) Small landowners owning less than one veli should be exempted from the operation of the present Bill.

(7) There should be a limit to the extent of land that a tenant should cultivate.

(8) There should be a forfeiture clause to the effect that any tenant failing to pay the rent at the end of a year would forfeit his tenancy right.

The witness then withdrew.

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(31) *Sri M. L. Thangavelu Pillai, Musiri Taluk Landowners' Association, Tiruchirappalli district.*

The witness stated that the total cultivation expenses for one acre in double-crop land in one year came to Rs. 70-8-0 *plus* Rs. 62-8-0 totalling Rs. 133. The income from that one acre for one year was 38 bags. Deducting 25 bags for " kuttagai ", the tenant got 13 bags of paddy. At the rate of Rs. 12 per bag of paddy, the cost of this came to Rs. 156. Adding to this the money he would get for his share of the paddy in " poradi " and the cost for the straw bundles, the total income he would get was Rs. 156 *plus* Rs. 32 *plus* Rs. 38= Rs. 226. Deducting from this his cultivation expenses for one year which was Rs. 133, the tenant got Rs. 93 as net income. The net income for the mirasdar was Rs. 275. Therefore it would be better if the rent was fixed at Rs. 60 per cent of the gross produce as defined in the Tanjore Tenants' and Pannaiyal Protection Act.

The witness stated that whatever might be the fair rent that would be finally fixed by the Committee, the sooner it was fixed, the better it would be. A period of suspense gave rise to misunderstandings and quarrels.

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